

Israeli Jets Attack Area In Lebanon; Up to 41 Die

By Ihsan A. Hijazi
New York Times Service

BEIRUT — Israeli Air Force planes attacked Palestinian areas near the southern Lebanese port city of Sidon on Saturday, and as many as 41 people were killed and 40 were wounded.

The Palestine Liberation Organization said 41 had been killed, but the local police put the number of dead in the three consecutive air strikes in and around the Ain Khilweh district at 38.

The dead and wounded were the largest number of casualties in 20 air attacks by Israeli jets in the Sidon area this year, and a statement by the PLO denounced the attacks as causing carnage. A Moslem radio station, Voice of the Homeland, described the action as savage.

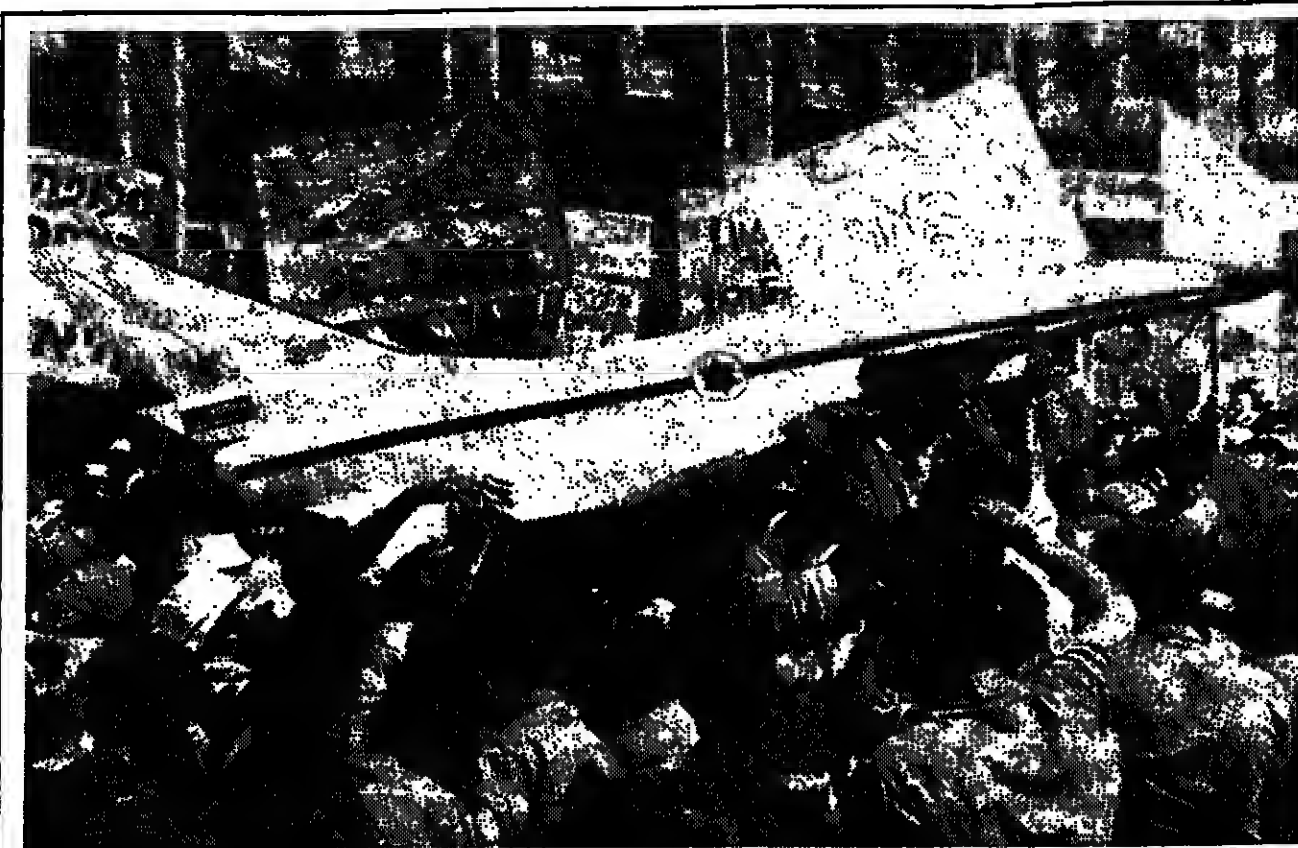
An Israeli Army spokesman quoted by the state radio said the targets hit were used by terrorist groups that were planning raids against Israel. The spokesman said that all planes had returned safely to base and that the pilots had reported accurate hits.

Witnesses said that three buildings used by the Fatah group of Yasser Arafat, the PLO chairman, had been destroyed and that several people were buried under the debris. The buildings were at the edge of Ain Khilweh, the largest Palestinian district in southern Lebanon and the main guerrilla stronghold in the area.

Although the Israeli Army spokesman said the raid was not in retaliation for any particular guerrilla action, it coincided with an increase in Arab attacks in Israeli-occupied territories.

In another development, an official of the Italian Embassy was released Saturday, five days after he was kidnapped in West Beirut, which is patrolled by Syrian troops.

The official, Joseph Khoury, who has dual Italian-Lebanese nationality, appeared unharmed at a news conference at the Beirut residence of Justice Minister Nabih Berri, who leads the Shiite Moslem movement Amal.



ABOVE THE FRAY, A LAVI SOARS — A 12-foot scale model of the canceled Lavi jet fighter was raised during a peaceful but noisy protest Sunday by about 15,000 Israeli aircraft workers near the office of Prime Minister Yitzhak Shamir in Jerusalem as Mr. Shamir and the cabinet held their weekly meeting. The cabinet was studying ways to limit job layoffs because of its decision on Aug. 30 not to put the jet into production.

Mecca Witnesses Say Saudis Opened Fire

By Elaine Sciolino
New York Times Service

WASHINGTON — Mounting evidence suggests that Saudi national guardsmen opened fire with pistols and automatic rifles during rioting in the Moslem holy city of Mecca in July after the Saudi police lost control of a crowd led by knife-wielding Iranians, according to U.S. officials, Arab and Moslem diplomats and witnesses.

Many of the events of the July 31 tragedy at Islam's holiest shrine, in which more than 400 people are believed to have died, are still unknown, and some confusion over conflicting accounts may never be resolved. But intelligence reports give a fuller version of what led to the violence.

Immediately after the rioting, Iran said Saudi security forces had opened fire on a peaceful crowd. Saudi Arabia denied this and said Iranian Shiite fanatics had plotted to destabilize the kingdom.

Saudi officials have repeatedly said that "not a single bullet was fired," maintaining that people were trampled to death.

"The Saudis will never admit

that they opened fire," a State Department official said, adding that the United States had no intention of contradicting the Saudi version. The State Department has said only that the Saudis "acted responsibly" in quelling the riot.

Less certain is what prompted the normally cautious Saudis to send armed national guardsmen particularly grisly episode: the beheading of a Saudi policeman. His head was put on a stick and carried above the crowd, they said.

The episode prompted an attack by policemen, armed with electric batons, who were repulsed by Iranians with swords and sticks, according to this version. The police retreated and the guardsmen moved in with tear gas and automatic weapons.

If true, the beheading was reminiscent of the death of Hussein, Mohammed's grandson, revered by Shiites as a martyr. He was beheaded in a seventh century battle, his head displayed on a stick.

Some officials, however, find the report of a beheading hard to believe, noting the difficulty of reconstructing a violent, chaotic incident in a place closed to non-Moslems.

Italy Arrests 32 Suspects In Mideast Arms Deals

ROME — The Italian police have arrested 32 people, including the head of a leading arms manufacturer and his son, as part of investigations into suspected illegal arms deals linked to the Gulf, Middle East terrorism and the Mafia.

Among the arrests announced on Saturday were those of two men thought by the police to belong to a Sicilian Mafia family.

Magistrates said warrants were issued for the arrest of 45 people on suspicion of illegally exporting arms and of criminal association. Thirteen were still at large.

Investigators said they believed the weapons, including Italian mines, might have been sold to Iran and Iraq.

Seventeen of those arrested were the foreign crew of the Lebanon-registered ship *Bostany 1*, which was impounded on Wednesday in Bari after arms and drugs were discovered on board.

On the day the ship was seized, a suitcase filled with papers that are said to implicate several Italian companies in illegal arms deals was found in a Bari hotel room.

Magistrates investigating illegal arms trafficking immediately took over investigations of the ship.

The magistrates have been trying to establish whether there are links between the arms dealers and guerrillas and to discover how weapons entered Italy that were used by Arab guerrillas in an attack in December 1985 at the Rome airport. Fifteen people were killed in the assault.

Most prominent among those arrested on Saturday was Ferdinando Borletti, head of an Italian arms manufacturer, Valsella Meccanotecnica, and his son Giovanni. Four Valsella managers were also arrested.

A lawyer for the Valsella management, Gianni Chiodi, told the Milan daily *Corriere della Sera*: "The arrest warrants are vague. But I believe the magistrate found among the documents only a reference to a possible illegal exporting of arms."

Last month, Foreign Minister Giulio Andreotti ordered an investigation into reports by the French magazine *L'Evenement* du Jeudi that Valsella had supplied arms to Iran and Iraq from 1981 to 1984.

WORLD BRIEFS

29 Israelis Arrested in 'Sabbath War'

JERUSALEM (Reuters) — Mounted Israeli policemen attacked hundreds of Orthodox Jews with clubs and tear gas and arrested 29 in protests throughout Jerusalem on Saturday against the screening of films on the Jewish Sabbath.

The police said they also arrested one secular Jew in the latest round of a monthlong "Sabbath War" between religious Jews who view the screenings as a desecration of the Sabbath and secular Israelis opposed to any religious constraints.

The Orthodox Jews, who believe religious law should be imposed on Israel to hasten the coming of the Messiah, want to prevent the screening of films at five theaters on the Sabbath, which runs from sundown Friday to Saturday night. They have forced the closure of a number of roads, burned down bus shelters carrying advertisements of women in swimwear and blocked the building of a soccer stadium on the ground that it would be used on Saturdays.

U.K. Uncovers IRA Plot to Kill Official

LONDON (Reuters) — The British police have charged three persons with plotting to kill Tom King, the Northern Ireland secretary, amid speculation that Irish guerrillas might attempt to assassinate Prime Minister Margaret Thatcher.

The three, two men aged 24 and 27 and a woman aged 22, were held for nearly a week under the Prevention of Terrorism Act until they were charged Saturday. They were arrested on Aug. 30 after an incident at the farmhouse of Mr. King, 54, who was on vacation in Scotland.

The charges came after press speculation that the guerrilla Irish Republican Army planned to kill Mrs. Thatcher at the Conservative Party conference next month. The police refused to comment on reports that they were hunting an IRA hit team in the area near Blackpool, the northern resort where the Conservatives will meet from Oct. 6 to 9. Mrs. Thatcher narrowly escaped death in 1984 when an IRA bomb exploded in her hotel in Brighton during a party conference.

Afghanistan Peace Talks Resuming

WASHINGTON (WP) — Afghanistan and Pakistan will resume negotiations Monday on a political settlement of the Afghan war, reports that the Soviet Union will offer to withdraw its forces in a year.

The Soviet offer, if forthcoming, could break the deadlock in the five-year Geneva negotiations, because a schedule for withdrawal of the 115,000 Soviet troops has been the major stumbling block.

At the last session of talks in March, the Soviet Union, through the Kabul government's delegation, offered to evacuate its forces within 18 months; Pakistan demanded that the withdrawal be completed within seven months. A Soviet offer of one year would appear to be an attempt at compromise.

Envoy Assails Austrian Anti-Semitism

VIENNA (Reuters) — The U.S. ambassador to Austria, Ronald Lauder, said in an interview published Sunday that Austrians openly encouraged anti-Semitism by sweeping it under the carpet.

Mr. Lauder, expected to leave his post this autumn, is Jewish. He told Profil magazine that he and his family were told by a Viennese shop owner that Jews were not welcome on the premises. He said the incident occurred in June 1986, shortly after he became the U.S. envoy to Austria.

Leaders of Vienna's Jewish community have reported a rise in anti-Semitism since the U.S. Justice Department decided in April to ban President Kurt Waldheim from entry as a private citizen because of suspicion over his war record.

For the Record

Sudan's foreign minister, Mohammed Tewfik Ahmed, has resigned because of the collapse of Prime Minister Sadek el-Mahdi's coalition government last month, the Middle East News Agency reported from Khartoum. (AP)

Mstevy Finkel, a longtime refusenik, was allowed to leave Moscow for the United States on Saturday to live with his American wife and infant daughter in the state of Washington, friends said. (AP)

TRAVEL UPDATE

Northwest Gets Most Passenger Grips

WASHINGTON (NYT) — Northwest Airlines now outranks Continental as the carrier with the most traveler complaints filed against it with the federal government.

According to the Department of Transportation's monthly consumer complaint report, 1,585 complaints by passengers were filed against Northwest in August, for a rate of 47.36 for each 100,000 passengers. By comparison, the complaint rate in August 1986 against Northwest was 1.96 for every 100,000 passengers, and in July 1987 it was 28.11.

Continental saw its complaint rate fall from 45.9 for each 100,000 passengers in July to 38.6 in August. Rounding out the top five in August were Trans World Airlines, third with 26.96; Eastern, fourth with 24.33; and Pan American, fifth with 23.08.

Trucks lined up Sunday for 4.3 miles (7 kilometers) on the Brenner Highway in Italy as trucks waited for Austrian customs stations to reopen. The border is normally closed to truck traffic from Saturday at 4 P.M. to midnight Sunday. Truckers' efforts to cross before the closure resulted in chaos, the authorities said, because work on a truck parking lot at the border forced them to line up along the highway. (AP)

A fire on a United Airlines jumbo jet with 293 people aboard blew out as it took off Sunday from Honolulu, but the plane landed safely seven hours later at Tokyo International Airport, a United spokesman said in Tokyo. (UPI)

A strike by 70 fuel transport workers at Copenhagen's Kastrup Airport on Sunday caused delays of up to three hours and the cancellation of some flights, airport officials said. (AP)

This Week's Holidays

- Banks and government offices will be closed or services curtailed in the following countries and their dependencies this week because of national and religious holidays:
- MONDAY: Bermuda, Brazil, Canada, Guam, Mozambique, South-West Africa (Namibia), Puerto Rico, Sri Lanka, United States, Virgin Islands.
 - TUESDAY: Andorra, Rwanda.
 - WEDNESDAY: Bulgaria.
 - THURSDAY: Belize, Bulgaria.
 - FRIDAY: Chile, Ethiopia, Pakistan.
 - SATURDAY: Cape Verde Islands, Ethiopia, Guinea-Bissau.
- Source: Morgan Guaranty Trust Co. Reuters.

DOONESBURY



New Leader In Burundi Assails Graft

NAIROBI — Officials of Burundi's ruling party were meeting Sunday, hours after the country's new leader gave his first nationwide address and accused the former government of President Jean-Baptiste Bagaza of corruption.

Major Pierre Buyoya, who took power Thursday while Mr. Bagaza was at a conference in Canada, said his reasons for the coup were almost identical to those that prompted Colonel Bagaza in 1976 to overthrow Michel Micombero, who had ruled since independence from Belgium in 1962.

"We could, almost word for word, trace them in the declaration which 11 years ago justified the fall of the first republic," Major Buyoya said in his address Saturday night on Radio Burundi.

In the address, delivered in French and monitored in Nairobi, he denounced an "incoherent economic policy that particularly favored the growth of a class of civil servants and private individuals, nationals and foreigners versed in the techniques of speculation, corruption and fraud."

"We are unfortunately forced to note," he added, "that just a few years later the regime of the second republic had fallen into the same errors."

He promised freedom of religion, apparently referring to Colonel Bagaza's conflict with the Roman Catholic Church, to which 65 percent of Burundians belong. Colonel Bagaza had banned weekday church services, closed church schools and jailed three priests.

Since independence, Burundi has been torn by violence between the majority Hutu tribe and the ruling Tutsi. Hutu outnumber Tutsis by a 6-1 ratio among its five million people, and in 1972 Hutu rose against the ruling minority in a failed coup. The Tutsis retaliated by killing more than 100,000 Hutus.

Major Buyoya, who is about 40, is a Tutsi, as is Colonel Bagaza and all army officers.

Colonel Bagaza, meanwhile, remained in Uganda, where it was believed he has been granted temporary asylum.

Airplane That Rust Used Will Return to Hamburg

MOSCOW — The single-engine plane that Mathias Rust landed near the Kremlin in May will be returned to the Hamburg Aero-Club, which owns it, according to Tass.

The West German pilot, 19, was sentenced Friday to four years in a labor camp for his illegal flight. Tass said the court saw no reason to confiscate the plane since it did not belong to Mr. Rust.

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AMERICAN TOPICS

Southwest Contends Fish Cactus Rustlers

The illegal trade in desert fish cactus is growing in the Southwest. The New York Times reports the increasing international popularity of cactus has made poaching and smuggling profitable.

Generally, the problem has been compounded by the trend toward landscaping among residents of the Southwest, strongly encouraged by government officials to conserve water and reduce pollution that may cause alkaline reactions. Ornamental uses are being used for cactuses, cactuses and saguaros, the tall, multi-armed cactus that is the symbol of Arizona.

It takes more than 100 years to mature a saguaro to reach a height of 10 feet (3 meters). It brings \$15 a foot at retail, plus \$15 to \$25 an acre.

The federal Fish and Wildlife Service has a record last year with more than 200 cactuses and more than 100 cactus rustlers.

The service is now working to identify cactus rustlers, says Michael Ekman, an agency official. "They don't run any other business."

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AMERICAN TOPICS

Southwest Confronts With Cactus Rustlers

The illegal trade in desert plants, while not as lucrative as the traffic in drugs, parrots or illicit furs, is growing in the American Southwest...

Ironically, the problem has been compounded by the trend to desert landscaping among residents of the Southwest...

It takes more than 100 years for a saguaro to reach a height of six feet (1.8 meters)...

The federal Fish and Wildlife Service set a record last year with more than 200 citations and warnings for cactus rustling...

Short Takes

The number of applicants to medical schools is dropping, possibly because students are concerned about an expected glut of doctors...

A new Aegis guided-missile cruiser will be christened the Hue City, the first American warship to bear the name of a battle of the Vietnam War...

Shorter Takes: August was the wettest month ever recorded in Chicago...



OFF AND RUNNING — Ron Paul of Houston after his nomination in Seattle this weekend to be the Libertarian Party's presidential candidate...

Chicago, according to the National Weather Service, the total deluge, 17.1 inches (43.4 centimeters), was five times the August average...

Den Mothers Are A Vanishing Species

More mothers working away from home means more worry about serious matters like latch-key children...

The new reality has brought its own adjustments. Parent-Teacher Associations now meet mostly at night...

Notes About People

Cardinal John J. O'Connor, Roman Catholic archbishop of New York...

Uranium Enriched By Brazil

BRIDJANEIRO — Brazil has announced the development of its own technology for enriching uranium...

President José Sarney said Friday that the technology would not be used to produce nuclear bombs...

Brazil imports enriched uranium for its nuclear power plant, Angra 1.

The Nuclear Energy Research Institute in São Paulo began developing a modified ultra-centrifuge method that has achieved an enrichment level of 3 percent...

Mr. Sarney said that Brazil had developed the technology without any external help...

A plant for enriching uranium is being built at Iperó, in the state of São Paulo.

Reza Nazareth, president of the National Commission for Nuclear Energy, said that Brazil's great reserves of uranium would make the country one of the world's most important producers of enriched uranium.

Voting Begins in Argentina In Test of Alfonsín Policies

BUENOS AIRES — Argentine polling booths opened Sunday for parliamentary elections...

The election, the third since Argentina returned to democracy in 1983, is seen as a crucial prelude to the 1989 presidential race.

More than 70,000 security troops were guarding the ballot sites but no incidents were reported.

Mr. Alfonsín cast his vote in his native city of Chascomús, 75 miles (120 kilometers) southeast of Buenos Aires.

He was scheduled to return to a presidential residence on the outskirts of the capital later Sunday.

Chile Sinks Hook Into Global Fish Market

By Juan de Onis International Herald Tribune CALBUCO, Chile — The old man pulled the silvery bait fish from the tangled gill net in his long boat...

The sea gives and the sea taketh away," said Pedro Herrera, baiting hooks as he rode out the storm.

At land's end here, Chile disintegrates into islands and fjords fed by the south Pacific's Humboldt current.

Mr. Herrera, 69, has been a commercial fisherman on the Chilean coastline since he was a boy in Valparaíso, Chile's big port city.

"We moved down here three years ago and taught these fellows here how to fish with long lines, four thousand hooks to a line," he said.

One recent day, the sea was too rough for Mr. Herrera and two of his sons, Benito, 39, and Juan, 38, to go beyond the sheltered bay in Calbuco in their outboard-driven boat.

But when the squall ended, the Herreras and thousands of other fishermen headed for the fishing banks where a booming export business is under way.

The fish catch is mainly Antarctic whiting, or merluza, which is similar to hake, and conger eel.

Fish ranchers are breeding fish that nature has not put in the cold, unpolluted waters off southern Chile, including both Atlantic and Pacific salmon and rainbow trout.

There are 19 fish farms in fresh water lakes, coastal fjords, and the glacier-fed rivers of Magallanes...

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Natural advantages as a fishery country, with 1,860 miles (3,000 kilometers) of Pacific coastline, already have made Chile the world's largest fishmeal producer.

Sardines, mackerel and anchovies, which are processed for meal and oil, accounted for five million tons of the total catch last year.

But worldwide demand for white fish and other seafoods such as abalone, mussels, clams, oysters, squid, crabs and scallops are what have brought the Herreras and at least 30,000 other fishermen to these waters.

Fishery exports have soared. In the first quarter of this year, they totaled \$135 million, up 70 percent from the same period last year.

Competition for the fish and mollusks is intense.

There are 10 factory ships from Japan, South Korea and Spain operating south of Chile's island off the southwest coast...

The competition for abalone, a mollusk that is in great demand in Japan, has led to depletion of the species.

Attempts to protect abalone shoals by imposing a six-week season this year were poorly enforced and poaching was extensive.

Carlos Castaing, who operates a processing plant near Puerto Montt, exports fresh Antarctic whiting to Madrid and filets all over the world.

His company, Empromar, a \$1.3 million investment, depends on 400 small fishermen for the catch.

"There are marine biologists who fear that the pressure on the whiting biomass is at a limit," Mr. Castaing said.

"The land-based plants depend on the artisans, and we are proposing that the factory ships operate only below the 47th parallel."

The price of whiting has gone up from \$200 a ton when Mr. Castaing began his operation in 1979 to over \$700 a ton now.

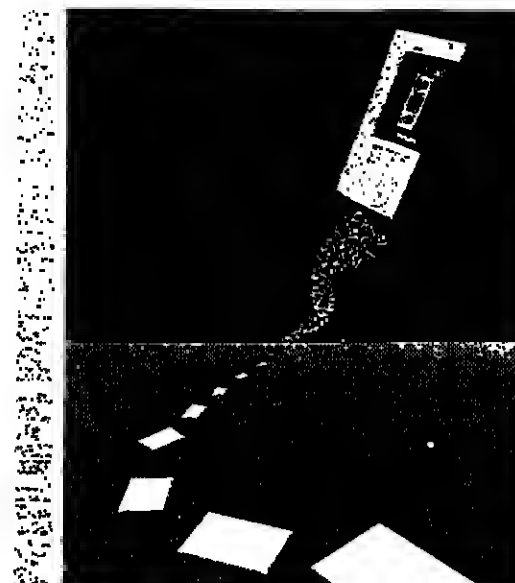
With prices for whiting filets in New York at about \$1.80 a pound, processors and fishermen make money.

But if the international prices drop, the current boom could easily become a crisis.

Mr. Couve said that sustained high prices are likely to bring modernization of the fishing fleet, with trawlers able to fish at depths up to 6,500 feet (2,000 meters) with modern electronic equipment to locate schools.

"This is expensive, but the catch per boat in Chile is declining," he said.

"If you don't catch fish, you lose the market."



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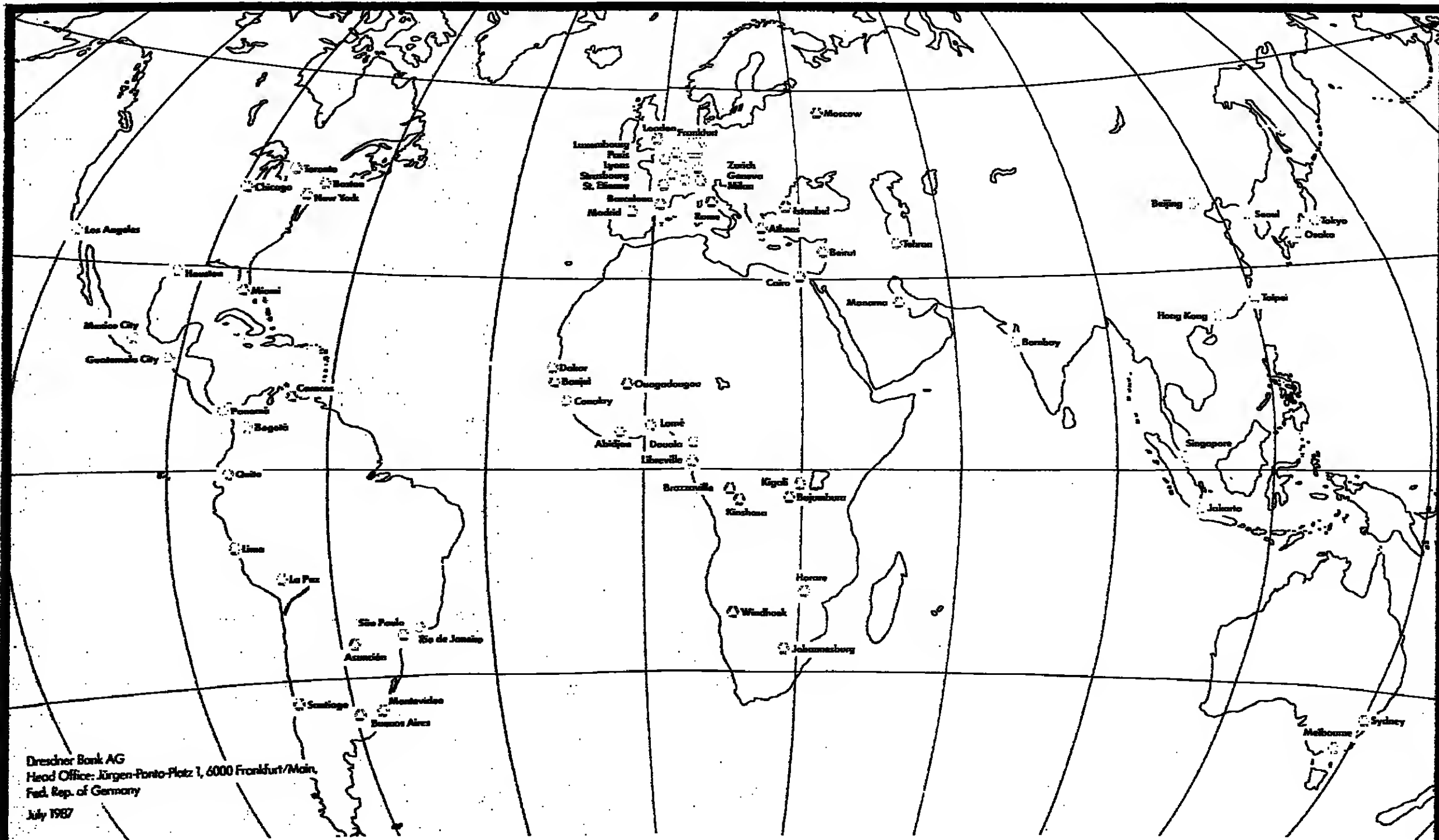
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New Ship Recalls the Glory of Trans-Atlantic Liners

By Barry James
International Herald Tribune
SAINT-NAZAIRE, France — The age of the trans-Atlantic liner is all but over, but there is still a market for vessels that recall those glory days.

The Sovereign of the Seas, which has headed in to the Atlantic off the coast of Brittany for its first sea trials, is the biggest of them all in terms of the numbers of passengers it can carry—2,600 in cabins ranging from the elegant to the functionally minimal.

In little more than four months, the 880-foot (268-meter) vessel will start its career of carrying thousands of American tourists on Caribbean cruises.

The Sovereign of the Seas is designed to appeal to Middle American rather than Palm Beach millionaires. The salons are glitzy, but the engines are frugal, making it no more expensive to operate the ship than one carrying hundreds of passengers fewer.

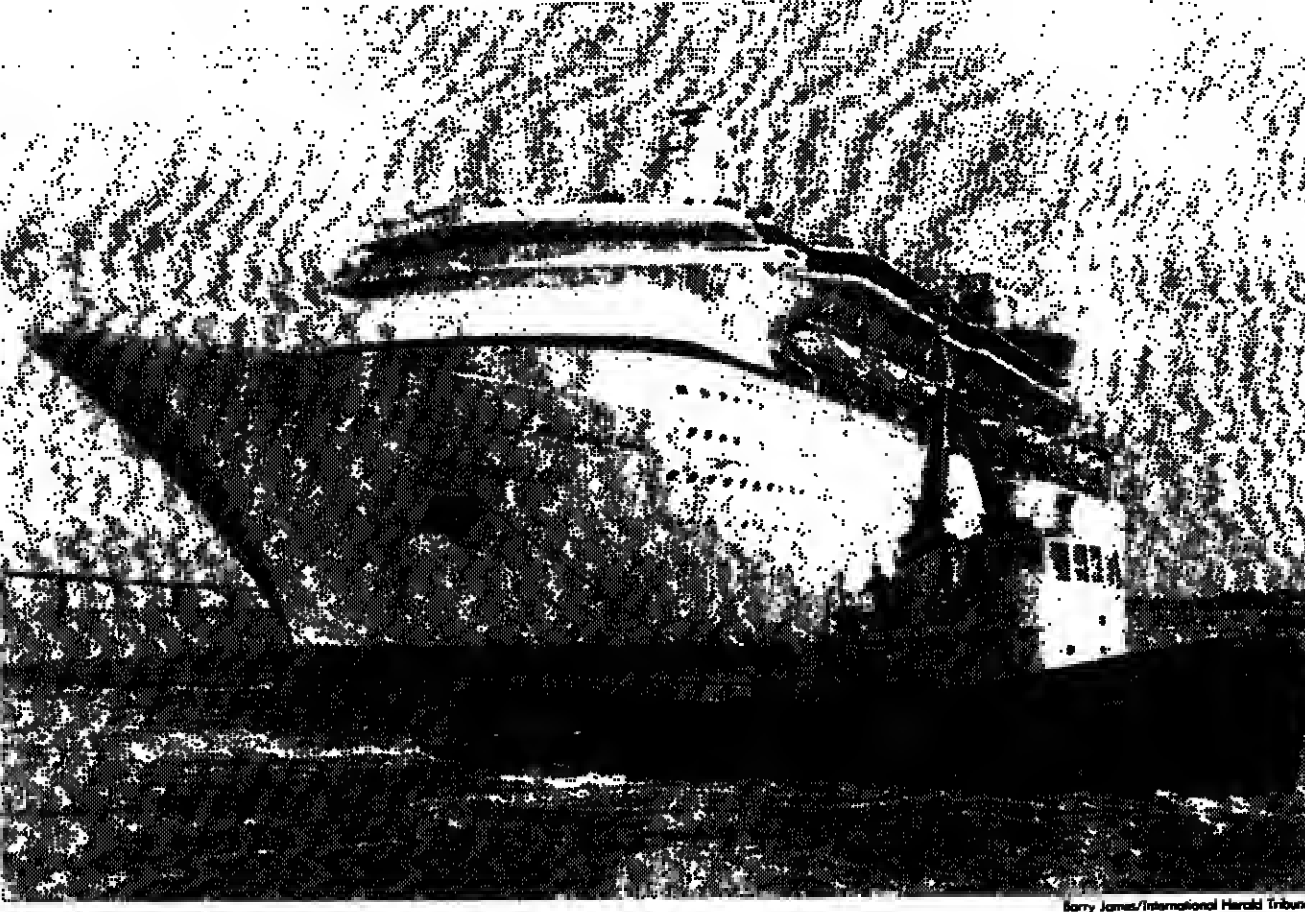
It would win no speed trials with liners like the France, which left the same shipyard in 1962, and which could travel at 35 knots compared with 21 for the Sovereign of the Seas.

The France, which has since been renamed the Norway and fitted with less thirsty engines, is also in the Caribbean cruise business, which last year attracted more than three million passengers.

The Sovereign of the Seas is heavier, at 74,000 tons, than the 65,000-ton France, but slightly shorter and narrower, with 12 passenger decks stacked up like a large hotel.

Still, with its sharp prow and top-deck promenades, the ship under way recalls elegance of the great trans-Atlantic liners, which succumbed to the speed and convenience of air travel.

Jean-Noël D'Acremont, the director of Les Chantiers de l'Atlantique, the shipyard where the Sovereign of the Seas has been a towering sight for the past year, watched with undisguised pride as the stately liner, with a fresh undercoat of white paint, headed down the Loire River and out into the sea for the first time Saturday afternoon.



The Sovereign of the Seas moving down the Loire River to begin its first sea trials over the weekend.

"She represents the bringing together of the best that French industry has to offer," he said. "Something like this is an object that characterizes the industrial strength of a country."

The \$175 million ship is due to be handed over to its Norwegian owner, the Royal Caribbean Cruise Line, on Dec. 23, and will operate out of Miami under the Panamanian flag.

With 310 crew and technicians aboard, the liner is undergoing two days of sea trials to test major items of equipment and the quiet mounting of its engines, which are mounted on elastic suspensions to eliminate vibration. Some of the tests are being conducted with a submarine

at the request of the French Navy, which wanted to register the acoustic pattern of the new engines.

Apart from bringing the ship's power plant up to operational capacity, workers still have to complete much of the lavish interior decoration, add more coats of paint to the hull, complete the paintwork and get the 1,140 cabins ready for the first passengers early in January.

Nevertheless, Mr. D'Acremont said he is confident the ship will be ready for delivery on schedule, only 29 months after the order was placed. The laying down of the keel took place only 15 months ago. Les Chantiers de l'Atlantique, a division of Société Alsthom-Allan-

que, won the contract over several Asian bidders, even though the French price was higher. The government had to subsidize part of the cost—estimated as high as 20 percent of the cost of the ship—to make sure the contract landed in France.

The shipyard's survival depends on its ability to keep a technological jump ahead of its Asian competitors. And as Les Chantiers de l'Atlantique goes, so goes Saint-Nazaire and the surrounding region. The Sovereign of the Seas has provided about eight million hours of work. About 70 percent of the content of the ship was made in France.

The shipyard, with 4,800 workers, is the sole survivor of several that once thrived in the region. For the moment, its future looks reasonably sound. It has just begun construction of another cruise liner to carry 1,700 passengers, and has orders for two giant car ferries. One, the Bretagne, will carry as many as 2,000 passengers and 600 cars between the west of France and England, and the other, the Ile de Beauté, will transport as many as 3,000 passengers and 800 cars between mainland France and Corsica.

South Korea To Try 166 For Violence In Protests

SEOUL — A group of 166 workers are to stand trial on charges including arson and destruction of property after violent labor protests at two of South Korea's leading export companies, state prosecutors said Sunday.

The group was among about 300 workers arrested on Friday when thousands of riot policemen raided a shipyard owned by the giant Hyundai conglomerate and a Daewoo auto plant under the government's new hard-line policy toward violent labor protests.

The other arrested workers have either been released or are still being questioned, a prosecution spokesman said.

Prosecutors said the decision to bring the workers to trial signaled the government's determination to crack down on labor violence that officials said threatened President Chun Doo Hwan's pledges of democratic change.

In the last week, thousands of Hyundai workers in the southeastern industrial city of Ulsan briefly seized city hall, set cars on fire, smashed furniture and used forklifts and cranes for street protests.

Hundreds of Daewoo workers ransacked the company's auto plant in Incheon, 20 miles southwest of Seoul, the capital.

Labor Ministry officials say more than 3,200 companies have been hit by labor disputes since July when Mr. Chun's government gave in to opposition demands for democratic change after weeks of nationwide street demonstrations against its authoritarian rule.

Hyundai, which produces everything from ships and oil rigs to cars and computers, announced on Saturday an indefinite closure of its main shipyard, where more than 20,000 workers have been striking since Wednesday.

Shipyard spokesmen in Ulsan said the yard planned to cut off power, water and food to the workers' dormitory starting Monday to persuade employees to "go home and have a cooling-off period."

But the striking workers have vowed to return on Monday to press their demands for a 14 percent pay rise and the release of arrested union leaders.

On Saturday, Hyundai's auto division closed assembly lines that produce the top-selling Excel compact because of a parts shortage caused by strikes at suppliers.

A spokesman said the company planned to reopen the auto plant on Monday but had enough parts for only one day.

Prime Minister Kim Chung Yul presided over a special cabinet meeting on Saturday to discuss labor unrest and ordered the police to crush any violence.

But the cabinet reaffirmed that peaceful work stoppages should not be suppressed.

Philippine Coup Leader Calls for Public Support

By Seth Mydans
New York Times Service
MANILA — The leader of the Aug. 25 military rebellion, in his first public statement since the failed uprising, has called on Filipinos to support him in his struggle against the government of President Corason C. Aquino.

In a statement telephoned to a radio station from an undisclosed hiding place Saturday, Colocel Gregorio Honasan called opposition to Mrs. Aquino "an initial necessary step" to save the nation from what he described as a drift toward the abuses of the previous president, Ferdinand E. Marcos.

Mrs. Aquino's spokesman, Teodoro Benigno, issued a response calling the rebels "self-appointed messiahs and demagogues" whose uprising had been "a naked power grab by a man using honeyed words to mask the military dictatorship he would set up."

The armed forces chief of staff, General Fidel V. Ramos, calling himself "an older brother to Greg," said in his own radio address that Colocel Honasan should "come back and face the music as a military professional."

[General Ramos has approved a plan to restrain and return to service hundreds of soldiers who took part in the coup attempt, United Press International reported Sunday from Manila.]

[He has ordered the soldiers searching for Colocel Honasan to shoot to kill but has agreed to allow the return to duty of officers and men "least involved" in the mutiny, a military statement said.]

Colocel Honasan, ending his radio remarks on an emotional note, switched from English to the national language, Tagalog, to urge his listeners to "lift up our heads, wipe the tears from our eyes, strengthen our hearts and be true to ourselves, the nation and most of all to God."

Some listeners said they had been deeply affected by that part of the address. The extent of Colocel Honasan's civilian support is un- known, but there have been no indications of a ground swell. He appears still to have considerable support in the military, however.

The Colocel said that he had not intended to kill Mrs. Aquino, as she has asserted, and that he had called off his rebellion to halt mounting military casualties.

"We had no intention of harming the president or her family," he said. "It was politically untenable to do so against a leader who is perceived to be popular, sincere and committed, no matter how misguided and incapable she might be."

In his 15-minute radio statement, which the station, DZRRI, said had been received on a clear telephone line, apparently from within Manila, Colocel Honasan maintained that the rebels had "held back our punches" and had avoided assaults on pro-government troops.

"It may have been a fatal tactical error on our part but it was a gamble we were prepared to take to



Gregorio Honasan

save more lives," the Colocel said. "The mounting casualties on both sides made us decide to withdraw and regroup, but we have made our point," he said, adding that many other military units had supported the mutineers.

He acknowledged that decisive action by the troops of General Ramos had been a factor in the daylong fighting brought on by the rebellion.

The government says that more than 1,100 rebel soldiers were captured or surrendered. Colocel Honasan escaped, as did other officers identified as leaders of the mutiny.

On Saturday, troops at Villamor Air Base, headquarters of the Philippine Air Force, reportedly told Vice President Salvador H. Lamel that they favored an amnesty for the mutineers. A soldier who stood up to voice support for military leaders was said to have been booed by others in the audience of 1,500.

In his radio address, General Ramos acknowledged that "we have a big problem here in the armed forces of the Philippines involving morale and discipline," adding: "We senior commanders are trying to inform all our soldiers what really is happening."

Colocel Honasan said the Aquino government, which he helped install as a leader of the military revolt against the Marcos regime in February 1986, had betrayed his expectations in its military policies and in allowing corruption, nepotism and political considerations to overshadow useful programs.

19 Police Recruits Die
Nineteen Filipino paramilitary police recruits died Saturday and nearly 140 others were hospitalized in what the authorities said could have been a mass poisoning. The Associated Press reported from Zamboanga City.

Many of the 225 recruits in a training class fell ill after a 4.5-mile (7-kilometer) jog, military officials said.

First reports said that the recruits apparently had suffered heat strokes, but officials said Sunday that further investigation pointed to poisoning.

They said survivors had reported that an unidentified person offered the recruits water and candies during the run.

It is my opinion, based on my observation of patients, that a lethal or toxic substance, possibly pesticides, might have been mixed with water and given to the victims," said Lieutenant Colonel Dante Quibang, a physician and deputy commander of the military hospital where most of the recruits were taken.

At a news conference Brigadier General Lorenzo Rapanan, the regional police commander, said there was "strong evidence of sabotage, either by enemies of the state, leftists and extremists" or possibly by applicants who had been rejected for the training course.

VIETNAM: MIA Deal Nears
(Continued from Page 1)
nam and license private organizations to provide charitable relief.

"When the United States government gives its blessing to this, we're saying that they're no longer a pariah," said the official.

Officials also depicted the agreement as an important step in negotiations with Vietnam. "This provides an area of accommodation, reconciliation," said one official.

"If they're smart, they won't try to leverage it into any kind of official recognition. If they try to use it as an opportunity and not a weapon, it can be promising."

The United States has been seeking Vietnamese help in determining the fate of more than 2,400 servicemen who were listed as missing in action or failed to return from prison-of-war camps. Earlier, U.S. officials accused Hanoi of stalling in hopes that the discussions would include the normalization of relations and economic aid.

Hanoi says that more than one million Vietnamese are unaccounted for from the war and that among its remaining problems are war widows, orphans, defectors, forest-dwellers, destroyed villages and children fathered by U.S. servicemen.

Viktor Nekrasov, 76, Soviet Writer, Dies

New York Times Service
NEW YORK — Viktor P. Nekrasov, 76, who won the Stalin Prize for literature in 1947 but emigrated to the West in 1974 under attack for his liberal views, died Thursday near Paris.

A spokesman for a private clinic in the Paris suburb of Gentilly said Mr. Nekrasov had been hospitalized for 10 days suffering from cancer.

Mr. Nekrasov won the Soviet Union's highest literary award for his novel "In the Trenches of Sielingrad," distilled from his experiences as an army officer in World War II.

The book was often compared with "All Quiet on the Western Front" for its simplicity of narrative.

It won the prize on the personal intervention of Stalin despite the author's irreverent tone and refusal to stick to guidelines set by the Communist Party.

But his refusal to conform soon brought him into conflict with the authorities. He was denounced by Stalin's successor, Nikita S. Khrushchev, in 1963 for accounts of

travels in the West that seemed too approving and that criticized Soviet surveillance of Soviets abroad.

Commenting in 1964 on the English translation of Mr. Nekrasov's travel book "Both Sides of the Ocean," Brooks Atkinson wrote in The New York Times: "Although Mr. Nekrasov is not on the same artistic level as Boris Pasternak, he has an equal right not to be vilified by the head of his state."

The author, Atkinson said, "writes in the colloquial style that seems to come naturally to Russians and to convey a spontaneous sense of intimacy and goodwill."

Mr. Nekrasov criticized the 1968 Soviet invasion of Czechoslovakia, supported the dissident writer Alexander I. Solzhenitsyn, and took part in protests on Jewish and Ukrainian issues.

Shortly before leaving his country, Mr. Nekrasov said that his apartment in Kiev had been searched, that he had been subjected to six days of interrogation and that he had been told that his works would no longer be published in the Soviet Union unless he denounced Mr. Solzhenitsyn and An-

drei D. Sakharov, the physicist and human rights campaigner.

"Surely no one seriously thinks that a decent man can allow himself to join in that shameful stream of slander which was poured on the heads of the two most worthy people of our country," he wrote in a letter circulated in Moscow.

"Are we not being too generous throwing away people of whom we should be proud?" he asked. "The artist Chagall, the composer Stravinsky, the helicopter designer Sikorsky, all became part of someone else's culture."

Expelled from the Communist Party and the Writers Union, Mr. Nekrasov left in 1974 on a two-year exit visa but did not return.

His works include "The Native Town" (1954); "First Journey" (1958); "Vasya Konakov" (1960); "A Month in France" (1965); "Distance of 12,000 Kilometers" (1965); "Travels in Different Measurements" (1967); "Life and Letters" (1971); and "Notes of an Idler" (1976).

George Mikes, 75, Writer on Nations' Foibles
LONDON (AP) — George

Mikes, 75, a Hungarian-born writer who created gentle satires on the foibles of nations, typified by "How to Be an Alien: A Handbook for Beginners and More Advanced Pupils," died Aug. 30.

His more than 40 books included serious subjects, such as a study of Hungary's 1956 uprising against Soviet domination. Other nations dealt with in his works were Israel ("Milk and Honey"), France ("Little Cabages"), Japan ("The Land of the Rising Sun"), Germany ("Uber Alles") and "Italy for Beginners."

Stephen B. Binkley, 77, a member of the Nobel Prize-winning team of scientists that discovered a method of producing synthetic Vitamin K, Tuesday in Peoria, Illinois.

Charlie Smalls, 43, the Tony Award-winning composer and lyricist of the hit musical "The Wiz," in Belgium during surgery for a burst appendix on Aug. 27.

Morton Feldman, 61, a composer whose minimalist, expressionist works gained him an international reputation, of cancer, Thursday in Buffalo, New York.

TURKEY: Early Vote Called

(Continued from Page 1)
voted briskly throughout the day at 95,000 polling booths in schools and other buildings across the land. The consumption of alcohol and the carrying of weapons were barred during the vote, in which no unruly incidents were reported.

Mr. Ozal announced the early election as the polls closed at 5 P.M.

Public-opinion polls before the referendum suggested a narrow margin in favor of lifting the bans — effectively a rebuff to Mr. Ozal, who had campaigned for the bans to be maintained. Among the hunched figures, former prime minister Demirel, a conservative and veteran politician, is depicted by many analysts as the most serious challenger to Mr. Ozal.

With slightly more than half the referendum votes counted Sunday night, official results showed 51 percent of the nation's 25 million voters in favor of lifting the bans and roughly 49 percent against. By midnight, the margin seemed to be narrowing, and Turkish officials said the balance could change as more results came in.

Mr. Ozal has said lifting the bans would mean a return to the bloodshed that took 5,000 lives before the coup. His opponents, by contrast, have urged the lifting of the bans so as to further the restoration of full democracy.

The prospect of new elections is certain to throw the country's politics into turmoil after the relative tranquility of the referendum.

By calling an early vote for November, Western diplomats said, Mr. Ozal seems bent on robbing rivals of time to organize a campaign against him. The country's left wing is divided, and the competition on the right is between supporters of Mr. Ozal and Mr. Demirel.

Mr. Demirel and Mr. Ecevit were barred from the 1983 vote that brought Mr. Ozal to power, and they argue that the election did not reflect national sentiment. If the bans on them are lifted, Turkish analysts said, Mr. Ozal will be under pressure to re-establish his credentials.

Should the bans be confirmed in the referendum Sunday, however, Mr. Ozal's supporters said, the prime minister is likely to interpret the outcome as a confidence vote, offering the impetus for elections designed to seek a renewed mandate to govern.

3 Suspects Held In Barcelona Blast
The Associated Press
BARCELONA — The police have arrested three alleged members of a Basque terrorist group that killed 21 persons in a garage at a Barcelona supermarket in June.

The two men and a woman form part of the Barcelona commando unit of ETA, the Basque separatist organization. ETA is the Basque language acronym for Basque Homeland and Liberty.

The woman was seriously wounded in an exchange of gunfire with the police in a raid at a Barcelona apartment where the three were arrested Saturday, the police said. Members of ETA have been linked to the June 19 car bombing in an underground garage of the Barcelona Hipercor supermarket.

GERMAN: Some in West Uneasy as the 2 Sides Meet

(Continued from Page 1)
percent to 60 percent, according to a survey in May by the Emnid polling institute. The share that saw it as possible "within 10 years" dropped from 30 percent to less than 10 percent.

"During the last 10 years, we have had a tendency to speak less of the problem of reunification, and more of the idea of detente, of neighborly relations between Germans," said Detlef Kuhn, president of the All-German Institute, which is sponsored by the government.

The evolution in West German thinking has had an important impact in East Germany. As the West Germans increasingly have come to recognize East Germany's permanence, so has the East German Communist leadership grown more confident and therefore more willing to cooperate with the West, according to Western experts.

This growing self-assurance has helped make possible a recent relaxation in East Germany's restrictive human rights policies, accord-

ing to diplomats and other observers there. It is willing to let more of its citizens visit the West, for instance, because most of them return.

East Germany cares how the West views it because it has struggled since its birth to overcome diplomatic isolation stemming from its image as an illegitimate Soviet puppet. West Germany did not open a diplomatic mission in East Berlin until after the 1972 Basic Treaty, which resulted from the Ostpolitik of the former chancellor, Willy Brandt.

"From the day it was founded, East Germany and especially its leadership have had an inferiority complex," a West German government expert on East Germany said. "With this trip they will say: 'Now we are equals, now we are accepted.'"

East Germany, in cooperation with Moscow, also uses the prospect of better inter-German relations as bait to influence West German foreign policy. This strategy

has borne fruit within the last two weeks.

Mr. Kohl pledged on Aug. 26 to scrap 72 antiquated Pecking I-A missiles whose presence was obstructing a U.S.-Soviet arms control agreement. Government sources said an important factor in his decision was the desire to remove an irritant before Mr. Honcker's visit.

Many West Europeans and some Americans fear that Soviet strategy could lead to a historic realignment in central Europe that would fracture the North Atlantic Treaty Organization. Their worry is that Bonn, in order to achieve reunification, would accept a Soviet demand of neutrality.

That supposedly would weaken NATO more than the Warsaw Pact, because West Germany's population is nearly four times as large as East Germany's.

There is much evidence to suggest that Moscow would be among the principal opponents of a reunified Germany. A united Germany invaded the Soviet Union in both world wars.

Even some Germans argue that Germany's most natural, and happiest, status is one of division. They note that treaties that ended the Thirty Years' War and the Napoleonic conflicts deliberately left Germany in scores of pieces to prevent the emergence of a united state that would upset the balance of power.

AIDS: New Strains

(Continued from Page 1)
one — appropriate to a mutated AIDS virus — the test could fail to detect an infection.

Researcher Infected
U.S. officials have announced the first known case in which a laboratory worker became infected with the AIDS virus as a result of working with it. The New York Times reported from Washington.

Officials said Friday that the worker was growing the virus in large amounts whose concentrations far exceeded the amount that most lab workers deal with or that the public could be exposed to.

They said tests had identified the virus found in the worker as being identical with the virus the worker was growing in the laboratory. The officials also said that the worker had none of the other known risk factors for contracting AIDS, such as unsafe sexual practices or the use of intravenous drugs.

Dr. Peter J. Fischinger, deputy director of the National Cancer Institute, said, "This is the first known case of a laboratory worker being infected with a virus that was being worked on."

No details about the laboratory or individual involved were included in the brief statement issued by the Public Health Service.

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Soviet Distributes AIDS Information

MOSCOW — The Soviet Health Ministry has produced five million brochures warning about the spread of the deadly AIDS virus, and has begun distributing them to mailboxes in the capital.

The information campaign began over the weekend testifies to the increasing seriousness with which the government is tackling AIDS, or acquired immune deficiency syndrome. The virus, which has reached epidemic proportions in some countries, destroys the

CHAD: Libyan Base Is Attacked

(Continued from Page 1)
controlled the whole northern half of Chad.

Libya said it considered France and the United States responsible for the Chadian attack because of their support for Mr. Habre.

JANA said the French ambassador was summoned to the Foreign Ministry in Tripoli and told: "France bears direct responsibility for the aggression on Libyan Arab territory and for mounting tension in the area."

SAUDI: Oil Arm Is Unused

(Continued from Page 1)
from July 20, when the United Nations Security Council called for a cease-fire, until Aug. 29, when President Saddam Hussein of Iraq ordered his aircraft back into action despite pleas for patience from the United States, Saudi Arabia and other countries.

The Saudi production flood was conceived by the former oil minister, Ahmed Zaki Yamani, to discipline other OPEC members and force them to abide by quotas. But it brought such a sharp price drop that an economic slowdown intensified in Saudi Arabia, producing grumbling among many Saudis grown used to a permanent boom.

The discontent led to Mr. Yamani's dismissal and a reversal in the policy, an oil analyst said. "People tend to forget the Saudi royal family needs popular backing, and they didn't have it when revenues dropped," he said.

EGYPT: Tunisia, however, has recently expelled Iranian diplomats, charging that they were inciting local fundamentalists. Despite the war, there is still a functioning Iranian embassy in Baghdad.

The Foreign Ministry also asked the Soviet Ambassador to tell the United States to stop aid to Chad and had sent letters to the Organization of African Unity and the United Nations Security Council about the airport attack. The Libyan agency said, "The issue is not related to a border dispute but is an organized aggression planned and financed by America and France," the agency quoted a Foreign Ministry communiqué as saying.

(AP, Reuters)

Creative Business

ADVERTISING SECTION

ADVERTISING SECTION

Trade Promotion: A Matter of Mutual Interest

LIKE most members of the international community, Czechoslovakia is striving to promote economic cooperation and expand its foreign trade despite the growing complexity of international relations. With foreign trade directly influencing one third of the national income, Czechoslovakia's economic and social development depends on such links. While industrial production depends on imported raw materials, other sectors are geared to exports.

This connection between the national and world economy brings numerous advantages resulting from the international division of labor. However, it also carries the attendant risk of crises developments on the world market, notably in the price or monetary sphere. Czechoslovakia has successfully overcome the majority of these thanks to stable cooperation — developed in a planned, long-term way — with the socialist countries. Its natural orientation toward the immense Soviet Union market is shown by the sheer volume of mutual trade. But Czechoslovakia also actively promotes higher levels of trade with other developed and developing countries.

Unfortunately, political and economic relations with such states are tainted by an atmosphere of confrontation and growing expenditure on armaments. This creates a low level of political trust which, in turn, exerts a negative influence on virtually every other field. Czechoslovakia therefore regards the lessening of tension and restoration of international confidence as the primary concern of the world community. The common aim must be peace, a prerequisite for resolving urgent global problems. Such problems, naturally, include the development of a global economy.

The high indebtedness of developing countries, financial instability and monetary relations are among the modern phenomena that complicate international economic relations. The connection between restored confidence and overall development is indispensable. A broad program of disarmament will do more than safeguard international security and confidence; it will release resources for global economic development.

In Czechoslovakia's view, the numerous political and social consequences of the indebtedness of the developing countries make it one of the gravest problems on the international scene. Resolving the issue is clearly related to other urgent issues such as restructuring international economic relations on a just, democratic basis. For instance, Czechoslovakian trade with developed market-economy countries would be enhanced by the removal of protectionist measures and restrictive bans on imports.

Czechoslovakia's willingness to promote worldwide cooperation has been reaffirmed by a number of recent political and economic decisions. The same principles are also embodied within the restructured framework of Czechoslovakia's internal economic mechanism. The aim is to raise the efficacy of the national economy and stimulate the development of mutually beneficial cooperation with partners throughout the world.

The Czechoslovak economy can only develop successfully if its trend towards intensification is strengthened and accelerated. By so doing, productivity will increase; the scientific and technical level will improve; and the progressive elements of a restructured economic mechanism will assert themselves.

The current program of modernization and reconstruction presupposes active support of all factors which increase effective production. They, in turn, will be reflected

cal products and timber and replace them by other items. Structural reshaping, while changing the assortment, will allow the existing share of machinery and equipment to be maintained.

Foreign trade prospects are naturally linked to further economic, scientific and technical cooperation with CMEA members. This is based on very solid foundations and underpinned by bilateral as well as multilateral long-range programs in addition to long-term trade agreements. Apart from the traditional forms of cooperative trading, higher forms — such as direct ties, scientific research groupings, joint investments and industrial cooperation — will increasingly characterize relations with the Soviet Union and other CMEA members. They will become the principal means of economic cooperation as conventional ways of trading encounter commodity and quantitative barriers. This particularly applies to re-

countries are due to increase 40-50 percent by stepping up the penetration of developed markets. Conversely, Czechoslovakia will increase its imports of new technology. Apart from traditional trading partners — the Federal Republic of Germany and Austria — there should also be a more rational approach toward cooperation with Finland, France, Italy, Denmark, Norway, Belgium and the Netherlands. Dynamic trade development should also benefit from talks with the EEC. Czechoslovakia will deepen the contacts between individual firms and cooperate with Western concerns on the principle of mutual respect and gain.

Trade with the United States, on the other hand, is limited by unfavorable commercial-political conditions. No bilateral contractual basis exists and, in view of the fact that in 1951 Czechoslovakia was denied its most-favored-nation status, exports to the U.S. are subject to an autonomous customs tariff with high customs charges. Moreover, Czechoslovak organizations are prohibited from receiving certain credits and Government guarantees. Czechoslovakia's export structure is thus restricted to those items that can bear considerable customs charges and still reach acceptable levels of effectiveness. The restrictions on U.S. exports of advanced technology and equipment, listed by COCOM, also contribute to the losses that run into scores of millions of dollars annually. Czechoslovakia will continue to make concerted efforts toward restoring most-favored-nation status and concluding a trade agreement to establish the level of economic contact that it already maintains with the majority of the world.

In relations with developed capitalist states, Czechoslovakia will concentrate on stepping up the part played by machinery, equipment and transportation in overall exports. The existing share of this group is approximately 12 percent, disproportionately low in comparison with their exports to the socialist countries (60 percent) and developing countries (70 percent). In the future, these will no longer be compensated for by higher exports of raw materi-

als or consumer goods, so this sector will determine the dynamic of future export expansion. Industrial cooperation with non-socialist countries is still at a low level although, the number of individual projects has substantially increased. Currently numbering about 140, their output in terms of exports remains very low; confirmation that they still only touch the fringe of Czechoslovakia's manufacturing potential. Much the same concern applies to the introduction and expansion of higher forms of industrial cooperation and joint ventures.

Long-standing, systematic cooperation between the chemical industry and Western chemical concerns has demonstrated the sales opportunities on world markets even at times of economic recession. But mutually beneficial cooperation is still not used enough by other branches of the national economy, above all by the engineering industry. Czechoslovakia is currently moving toward conceptual, coordinated and longer-term cooperation with selected firms which are long-standing trading partners and have an interest in promoting such cooperation as well as a sense of the realities in a divided world. Firms in West Germany, the Netherlands, Italy, France, Great Britain and Switzerland are currently involved. Strengthening the long-range element of cooperation and anchoring various kinds of cooperation in contractual form will contribute to a deeper mutual understanding between them and the Czechoslovak foreign trade organizations.

Improving the internal economic mechanism should create a positive change in the quality, technical standards and levels of service, as well as a more flexible approach to innovation. These tasks are based on a realistic estimate of the market situation as well as the results of Czechoslovakia's export drive. Seen from this viewpoint, the consistent implementation of long-term export-oriented programs is very important and applicable throughout the present Plan.

This year's results are eagerly awaited. Like other countries in the socialist community, the Czechoslovak Socialist Republic is actively

seeking to harmonize the planned economy with perceived market needs, to encourage worker participation



Bohumil Urban

in management and reach better results. The Government is determined to improve the quality of work, aided by new economic rules and the verification of new management forms. Certain of these measures were specifically adopted

to deepen cooperation between foreign trade organizations and industry.

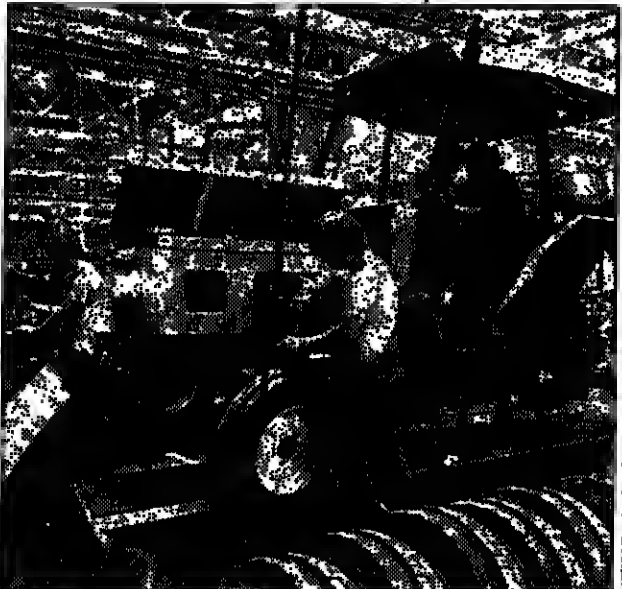
For example, the next stage of reorganization should preserve the advantages of the existing system while leading to a mixed model with specialized foreign trade organizations acting as non-state socialist organizations. This would obviously bring commercial and cost advantages. Similarly, strengthening the holding companies so that manufacturing organizations — as shareholders — exert a greater influence on their management provides motivation and material advantage.

Major manufacturing organizations will be able to conduct foreign trade, primarily in the export field, leading to increased export performance and more effective commercial operation. The manufacturing and economic organizations are responsible for scientific, technical and industrial cooperation, product specialization

and joint production projects at home and abroad, including direct ties with CMEA members. Such schemes can call on Czechoslovakia's foreign trade organizations to prepare the relevant contracts.

Fine-tuning the mechanisms of foreign trade should strengthen the long-term economic independence and responsibility of manufacturing organizations. The goal is clear: to increase the adaptability of Czechoslovak enterprises to meet the changing demands of foreign markets; to speed up the production of export goods; and to rationalize the structure and effectiveness of foreign cooperation. Czechoslovakia is thus clearly interested in cooperation that would be economically attractive to both sides. It has sufficient partners for such cooperation in the world and expects both their number and quality to increase.

— Bohumil Urban, Czechoslovak Minister of Foreign Trade



Manufacturing Zetor tractors for export.

by improved export performance and the consolidation of Czechoslovakia's role in the international division of labor.

Foreign trade directly reflects the uncompromising demands of the world market. Export performance can be improved by better commercial activity and organization but — more importantly — by offering a variety of new products that correspond to international needs. The value that foreign markets place on Czechoslovakia's products is crucial to trade relations. It is an expression of the overall potential of the country, of the capabilities of its inhabitants.

The fundamental aims and tasks of foreign trade under the present Five-Year Plan can be summed up simply. The lead of the export growth rate over the growth of the national income will continue. The annual growth rate of roughly 3-4 percent means that, by 1990, Czechoslovakia must increase its exports by 15-20 percent and its imports by 14-18 percent.

Greater effectiveness can be achieved by modifying the structure of those exports. The aim is to reduce the export of fuels, oil products, metallurgical

relations with the Soviet Union, but also to those with the German Democratic Republic, Poland, Hungary and Bulgaria.

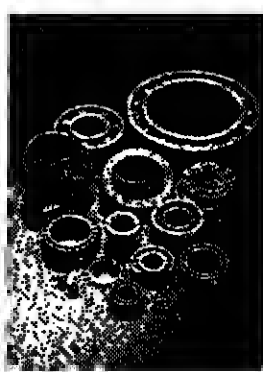
While maintaining a positive balance of trade, Czechoslovak exports to the non-socialist countries are due to grow by over 14 percent by the end of the Five-Year Plan, and imports are due to rise over 15 percent. Total exports of machinery to the non-socialist

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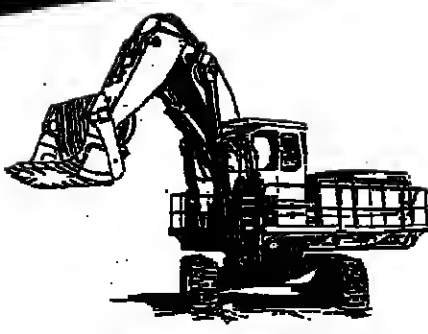
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Between Poor and Rich

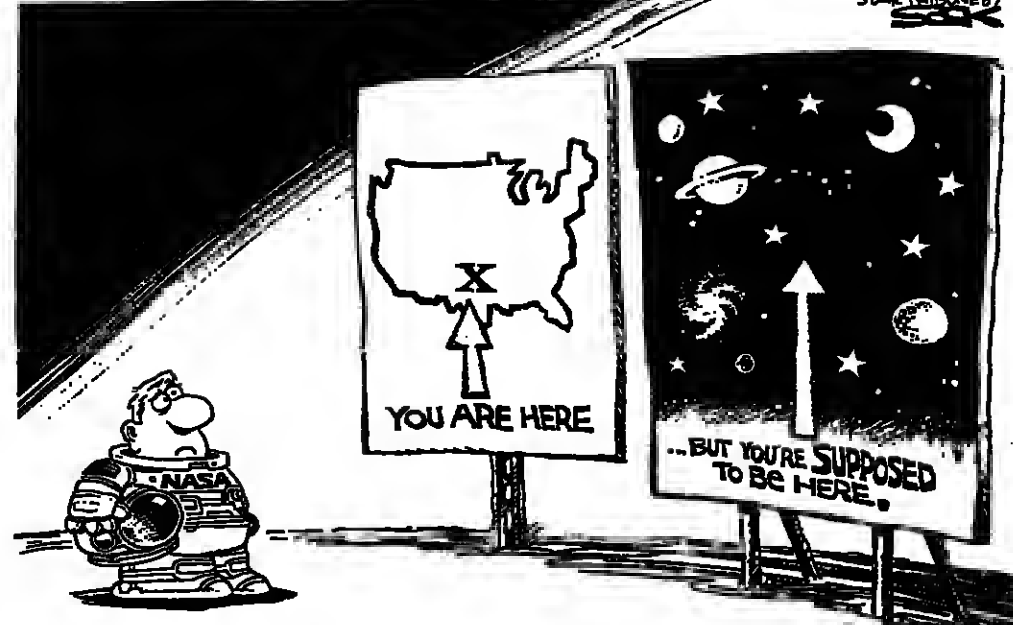
Ethiopia remains the world's poorest country. That is not astonishing, given the harsh land, the incompetent Marxist government and the entrenched civil war...

maicans have more in common with Americans, in every respect but income, than the unfortunate people of Ethiopia or Bangladesh have in common with them.

The Trouble At NASA Is Incurable

By T.A. Heppenheimer

LOS ANGELES—Astronaut Sally Ride, heading a task force on future efforts for the space program, has called for a lunar base as a step toward the ultimate goal: exploration and settlement of Mars.



NASA is the most vivid embodiment of a style of governance that characterizes our century. This style features two elements: master planning and state power.

The Lady Across The Street

By A.M. Rosenthal

NEW YORK—The teacher and I live in the same neighborhood. I live in the high-rise on the corner and have a splendid view of lights and spires, from the 30th floor.

Fewer but Longer Lives

The number of babies born in the United States dropped last year, but those babies are likely to live longer than any previous year's crop.

Infant mortality has been steadily declining in the United States, but, again, it is still much higher than in most other developed countries.

What NASA Has Done Deserves Remembering

HISTORY is time, and time has a way of flattening out peaks and valleys very quickly...

bility (led by James Webb, who is finally being recognized as a great program manager), and oow technologies in materials, electronics and computers.

NASA preached that Apollo was not a singular event but an effort to develop a total capability that would enable America to do anything in space that it wished.

Help Save Rain Forests

Imagine that there was a way to preserve endangered environments like the Amazon rain forest, one that also eased the foreign debt burden blocking Third World development.

earnings from harvests of precious woods. The Third World's low credit rating these days works to multiply the value of an environmentally linked donation.

If Deterrence Is Your Creed, You Need a Threat

By Michael McCgwire

WASHINGTON—The leaders of the United States and the Soviet Union are moving rapidly to an agreement on nuclear forces in Europe that is absurd.

mounting that Moscow decided that such a conflict might be contained. There is the new structure of Soviet theater commands and the new emphasis in Soviet military writing on strategic defensive operations.

ing political subversion and Soviet ground forces. The Soviets faced the U.S. atomic monopoly and feared a preventive attack on their nuclear-development facilities.

Other Comment

On and On Until You Collapse

I was told by one of the World Health Organization experts: "Modern Western man is too inactive. He just doesn't do enough. The human body has been created for a certain amount of physical activity."

jogging, he should go on. If not, he should do something. Walking, swimming, even—provided his heart is all right—climbing stairs will do good.

The appropriate response to one set of threat perceptions is wholly inappropriate to the other.

America would involve world war. In the 1979-1982 period, however, there emerged the concrete possibility of major conflict with the United States in the area north of the Persian Gulf, and the Soviet leadership had to decide whether or not such a conflict could be contained.

been the requirement to be able to mount a continental-scale offensive to the west. By downgrading this enduring strategic imperative, they have removed a linchpin from the framework of Soviet strategic thinking and allowed political and economic factors to assume a new salience.

Contradictory perceptions of threat account for much of NATO's muddled response to Mikhail Gorbachev's arms control initiatives. If the Soviets are set on military expansion, arms control negotiations play into their hands, as Hitler taught us in the 1930s.

INTERNATIONAL HERALD TRIBUNE JOHN HAY WHITNEY, Chairman 1986-1987 KATHARINE GRAHAM, WILLIAM S. PALEY, ARTHUR OCHS SULZBERGER Co-Chairmen

LETTER

Television Might Help

David Broder, in his opinion column "Media-viue? Don't Hold Your Breath" (Aug. 29), concludes that the coming of interactive television is not going to bring with it direct participatory democracy, when we can all push a button and take part in a decision that our city's potholes should be filled.

LETTER

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IN OUR PAGES, 75 AND 50 YEARS AGO

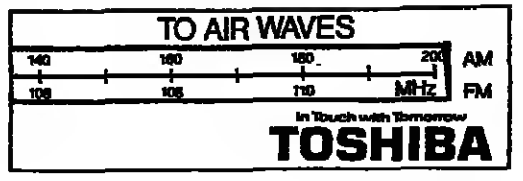
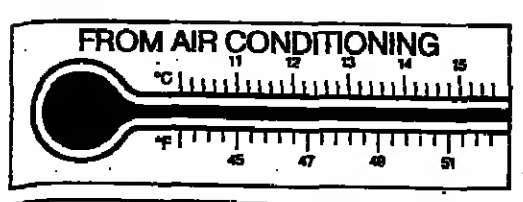
1912: Ideas on Women

PARIS—In an interview on the tendency of fashion next year, Mr. J.M. Gidding, the prestigious fashion buyer, said: "During my tour of the principal Paris shops to buy models for New York, I found that the tight-fitting model for skirts remains. Dame Fashion will see to it that woman does not take too long a step."

1937: Nuremberg Glory

NUREMBERG—Although Christianity is now engaged, in the opinion of hundreds of German party priests, in a life and death struggle with the Nazis, the bells of all Nuremberg churches pealed this afternoon (Sept. 6) when Adolf Hitler entered this city to open the fifth annual congress of the National Socialist Party since he has become Chancellor of the Reich.

FROM AIR CONDITIONING EURO BONDS In Unanswered Pr for Strength in the By JONATHAN ENGL... CURRENCY RATES Last Week's Ma All figures are as of close of trad...



MONDAY, SEPTEMBER 7, 1987

Page 9

EUROBONDS

An Unanswered Prayer For Strength in the Dollar

By JONATHAN ENGEL

PARIS — The last thing one expects to bear in the bond market is a prayer for higher interest rates. But that's just what many market participants were fervently offering last week...

But after an otherwise quiet week in the Eurobond market, they're still waiting for an answer to their prayers.

The market sees the Fed rate increase as 'too little, too late,' a trader said.

Some contend that if the Fed wants to strengthen the dollar as well as to squeeze inflationary expectations out of the financial markets...

The market has basically either taken it as neutral to negative, said Dick Kurth, head of bond syndication and trading at Manufacturers Hanover Ltd. in London.

The bond market was disappointed by the dollar response, said David Morrison, chief international economist at Goldman Sachs International in London...

UNLESS the dollar rises by about 1 or 2 pennings, Mr. Morrison contends, "it's going to be very vulnerable to that figure."

"It lets the world financial markets know that Alan Greenspan will not do anything if something needs to be done," Mr. Morrison said.

In its statement accompanying the rate increase, the Fed stressed the need to contain "potential inflationary pressures."

True, there is the clear inflationary impact of a weaker currency boosting prices of sought-after imports.

"The dollar is the key and the dollar is under pressure," said Samuel D. Kahan, chief financial economist at Kleinwort Benson Government Securities Inc. in Chicago.

For their part, if bond investors thought the increases in U.S. interest rates would slow down the economy and inflation...

See EUROBOARDS, Page 11

Expanded Tri-Star Gets More Silver for the Screen But Film Company Faces Obstacles

By Geraldine Fabrizio

NEW YORK — After Coca-Cola Co. announced on Sept. 1 that it would merge its entertainment operations into Tri-Star Pictures Inc., Victor A. Kaufman received more than 100 congratulatory phone calls.

Yet the fuss was inevitable. Overnight, the 44-year-old former Wall Street lawyer had become one of the industry's most powerful players.

Mr. Kaufman had already made a name for himself with Tri-Star, persuading Coca-Cola, Time Inc.'s Home Box Office and CBS Inc. to form the company five years ago in an innovative joint venture...

But now, as the designated president and chief executive of Tri-Star's own incarnation, Columbia Pictures Entertainment Inc., Mr. Kaufman will lead a company with combined sales of more than \$1.5 billion and \$3.1 billion in assets.

Mr. Kaufman's coup comes with a critical question mark, however. His strength has been in financial matters, industry experts say, and his management skills have been tested on only a modest playing field.

Victor Kaufman has basically been known as a very innovative deal maker, said Harold Vogel, an entertainment analyst at Merrill Lynch & Co.

Columbia Pictures — like Tri-Star — is not doing particularly well these days in producing box-office hits, for example, and many industry analysts say it is only a matter of time before Mr. Kaufman clashes with Columbia's strong-willed chief, David Puttnam.

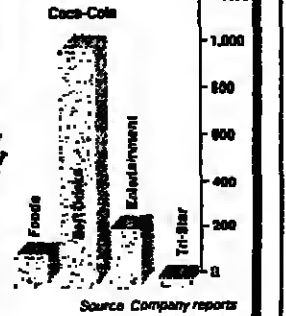
In addition, Mr. Kaufman must decide whether to merge Coca-Cola's growing television business into Tri-Star's fledgling TV operations. Just a few weeks ago, Coke Television's chief executive, Frank J. Biondi Jr., left the company to join Viacom International, leaving a vacuum at the top.

Mr. Kaufman will still have to answer to Coke. In turning over its TV and movie operations to Tri-Star, Coke took a 49 percent stake in the merged company, and installed its president, Donald R. Keough, as the chairman.



Operating Income

Coca-Cola Entertainment's operating income of \$235 million last year far exceeded Tri-Star's \$21 million, but was small compared to the company's soft drink sector.



Source: Company reports

Victor A. Kaufman, top left, president of the newly established Columbia Pictures Entertainment Inc., with the symbols from the merged companies' two biggest hits, 'Rambo: First Blood Part II' and 'Ghostbusters.'

Despite these problems, industry insiders say the odds are on Mr. Kaufman's side. He has made few false moves in the movie business, which he entered in the careful, often halting, manner in which he chooses his words.

For his part, Mr. Kaufman says he's "excited" by the challenge of See TRI-STAR, Page 13

Greece Announces End to 2-Year Wage Freeze

ATHENS — Prime Minister Andreas Papandreu of Greece has announced that a two-year wage freeze will end at the end of this year, saying his government's austerity program had been successful.

"We can now say with firmness that the economy is in recovery. We are ready for the big leap of reform," he said Saturday in a speech at the opening of a trade fair in Salonika, in northern Greece.

The austerity program, introduced in October 1985, was highly unpopular with workers and trade unions, who have staged a series of general strikes and work stoppages in the past two years. But the government stuck to its policy on the ground that restraints were necessary to help stabilize the economy.

The moment has come to abolish the legislative restraints on wage increases and return to free negotiations between employers and employees, Mr. Papandreu said.

He said the government in 1988 would provide for a reduction in taxes. The government will also subsidize rents of low-income groups and employers will be allowed to give productivity bonuses to employees, he said.

Mr. Papandreu said that the government's stabilization program had succeeded in bringing down inflation.

The government has set a target of 10 percent inflation by the end of this year, compared with 16.9 percent at the end of 1986 and 25 percent in 1985.

But Mr. Papandreu conceded that the 10 percent goal would not be reached and that inflation would run 3 to 4 percentage points higher this year, about three times that of most European Community nations.

Officials said foreign debt would rise to about \$17.2 billion by the end of this year, from \$16.8 billion a year earlier, although the Greek government is seeking to eliminate net foreign borrowing over the next two years.



Andreas Papandreu

Dollar Likely to Govern Central Bank Talks

BASEL — Central bankers from the leading industrialized countries gathered on Sunday for three days of private talks that analysts expect to be dominated by strategies for dealing with renewed pressure on the dollar.

The gathering is a regular monthly meeting of the Bank for International Settlements, which is effectively the central banks' central bank. However, the formal and informal sessions have taken on increased significance as foreign exchange traders continue testing the resolve of the monetary authorities to abide by their pledges to stabilize the U.S. currency.

It is also the last session before the annual meetings of the International Monetary Fund and World Bank in Washington, from Sept. 24 to Oct. 1. It is at the latter meetings that most market participants expect any big decisions to emerge on economic policy and the fundamental problems behind the weak dollar: the U.S. trade deficit and the big surpluses in Japan and West Germany.

But after Friday's discount rate increase by the Federal Reserve Board and heavy central bank intervention in the foreign exchange markets in the past two weeks, the markets will be looking to Basel for clues about short-term measures.

The half-point rise in the discount rate, to 6 percent, followed by increases in U.S. banks' prime lending rates, failed to give the dollar more than a brief boost.

The prime and discount increases are just a technical detail. The dollar remains a problem child of the deficits," said Dieter Gloeckner, foreign exchange dealer at West Germany's Deutsche Girozentrale.

China Cites Losses Over Japan Policy

BEIJING — Some Chinese businesses are showing serious losses as projects using technology imported from Toshiba Machine Co. grind to a halt because of Japan's tightening of trade with Communist countries, an official paper said Sunday.

The Chiao Daily's Business Weekly said three Chinese plants were reporting heavy losses after their machinery orders from the Japanese company, a unit of Toshiba Corp., were delayed. It quoted an official as saying that there were many similar cases.

Toshiba Machine's trade with Communist nations has been curtailed after a ruling of the Coordinating Committee for Export to Communist Countries, a Paris-based body that regulates the movement of strategic materials, because the company sold machine tools for making submarine parts to the Soviet Union.

Business Weekly said a tractor factory in Sheoyang, northeast China, could not begin production because vital Toshiba machinery had not arrived.

A Shenyang air compressor plant had to postpone production because of the decision, it said.

Last month, Fu Hao, chairman of the Chinese government's China-Japan Friendship Group, was quoted as saying that a total of \$1.8 billion in trade had been canceled by Japanese companies.

Record Surplus in Taiwan Trade

TAIPEI — Taiwan's merchandise trade surplus widened to a record \$12.72 billion in the first eight months of 1987 from \$9.86 billion a year earlier, according to official figures published Saturday.

The August surplus also set a record at \$1.9 billion. The previous record of \$1.81 billion was in June, and the July surplus was \$1.71 billion. In August 1986, the trade surplus was \$1.58 billion.

Exports from January to August totaled \$34.40 billion and imports \$21.68 billion. In the year-earlier period, exports were \$25.21 billion and imports \$15.35 billion.

Saudi Arabia Plans To Restructure Its Oil Industry, Newsletter Says

NEW YORK — Saudi Arabia is planning to restructure its oil industry in a move that could reduce the role of its four U.S. partners in the kingdom's oil production but pave the way for new ventures in refining and marketing, Petroleum Intelligence Weekly said.

In a report prepared for publication Monday, the authoritative newsletter said that the Saudi oil minister, Hisham Nazer, recently told his four U.S. partners in Arabian American Oil Co. that it wanted stable outlets for its crude and asked them for suggestions.

The partners — Exxon Corp., Mobil Corp., Texaco Inc. and Chevron Corp. — apparently advised the Saudis to buy stakes in existing refining and marketing operations overseas.

U.S. Purchasers Say Economy Grew in August

NEW YORK — A closely watched index that tracks the U.S. economy rose in August to its highest level in more than three years, according to a report prepared for release Monday.

The National Association of Purchasing Management's monthly report said its composite index of leading indicators rose to 59.9 percent in August from 58.2 percent in July.

Readings above 50 percent indicate that the economy is expanding and those under 50 indicate it is contracting.

The report said that for the first eight months of 1987 the index averaged 56.1 percent and that the growth rate through August would produce a 1987 expansion of 3.7 percent in the gross national product if it were maintained for the rest of the year.

The August improvement was based on reports by U.S. purchasing managers of greater numbers of new orders, larger inventories, higher rates of production, generally higher prices and more jobs than in July.

"The economy continued its vigorous growth in August," said Robert J. Breitz, the association's chairman.

"Production was exceptionally strong, considering the normal seasonal slowing, and appeared to be aided by some inventory buildup," he added.

Thirty-six percent of the managers reported higher levels of new orders in August than in July, 51 percent said the number of new orders was unchanged, and 13 percent said orders decreased.

August was also the eighth month in a row in which production increased, according to the survey. Thirty-three percent of respondents reported greater production, 59 percent said production remained constant, and 8 percent reported a decline.

After a July decline, employment rose in August. Sixteen percent of the managers said there were more jobs, 13 percent said there were fewer, and 71 reported no change.

Only 3 percent said prices in August were lower than in July. Fifty-two percent said they were paying higher prices, and 45 percent said prices were flat. However, the managers reported that they were not expecting significant price increases during the rest of the year.

Marubeni Asks Chinese to Join In Car Venture

BEIJING — Marubeni Corp. of Japan has proposed a \$3.6 billion venture to build passenger and commercial vehicles in what would be the largest Japanese joint venture in China, the official Economic Information newspaper said Sunday.

The paper said the proposal was made to the state-owned People's Construction Bank of China. It involves building a plant in a coastal area of China to produce annually 300,000 passenger cars and commercial vehicles with engines of 1300 cc and 1500 cc.

The paper said the proposed factory would start producing by 1990, reaching full capacity in 1995. Local content would reach 80 percent by 1995.

Marubeni is preparing to present the proposal formally to the Chinese government in late October, the paper said. Japanese equity investment in China has been very limited and no Japanese automaker has made a large-scale investment in China.

Currency Rates

Table with columns for Currency, Bid, Ask, and other financial data.

Last Week's Markets

Table with columns for Stock Indexes, Money Rates, and other market data.

Advertisement for Intercarta, a paper and board sales organization, with contact information for various cities.

Advertisement for Blackie's Housed Beef, featuring a logo and promotional text.

Large advertisement for Swissland Land, featuring a bird logo and text about spacious prestige apartments for sale.

New International Bond Issues

Compiled by Laurence Desvillettes

Table with columns: Issuer, Amount (millions), Mat., Coup. %, Price, Price and week, Terms. Includes sections for Fixed-Coupon, Equity-Linked, and Eurobonds.

BUSINESS ROUNDUP

Nissan Is Polishing Its U.S. Image

By Donald Woutar, Los Angeles Times Service

LOS ANGELES — The crunch had to come sooner or later for Japanese automakers in the United States...



The name change to Nissan from Datsun hurt U.S. sales.

Analysts said it had quality problems and a muddled image, which put it in a weak position to combat the falling dollar...

This month, Nissan is completing a shake-up that has left its U.S. sales and marketing arm with a completely new management...

"The class of the Japanese are Toyota and Honda," says a market researcher who specializes in Japanese companies...

Nissan's executive shuffle took place quietly over 18 months, which was much faster than Nissan was able to effectively change the name of its U.S. car models from Datsun...

After Toyota, Nissan had long been the No. 2 Japanese seller of cars in recently profitable U.S. market. But critics say Nissan borrowed the wrong page from the Detroit story...

Honda shot past Nissan in U.S. sales, buoyed by its own reputation for quality and innovation and its ability to skirt import quotas...

Meanwhile, Japan's "Big Three" — Toyota, Nissan and Honda — found themselves competing with improved Detroit cars, an ever-lengthening

roster of Japanese manufacturers and an influx of cheap South Korean autos unrestrained by import ceilings.

And the fall of the dollar in a postwar low against the yen has eroded much of the Japanese cost advantage. They have repeatedly raised U.S. prices because the dollars they collect are worth less...

"About \$2,000 a car was typical profit. Now they might be getting \$500," says Donald Desmarzay, an analyst at Nomura Securities International in New York.

Some customers think Nissan and Datsun are two different firms. Earnings shrank at all the Japanese companies. But after four decades of phenomenal postwar success...

Moreover, in the first seven months of the year, Nissan sold more cars in the United States than Toyota and is No. 2 to Honda at home. Toyota blames this on its own car shortages. Indeed, Nissan has an unhealthy 85 days worth of its imports on U.S. dealers' lots...

Control from Tokyo was tightened. Japanese executives were recalled to Tokyo, sales officials were replaced and Nissan changed its advertising agency. On Aug. 6, the company announced the early retirement of Charles P. King, 58, who had headed Nissan's U.S. sales and marketing for 15 years.

Santa Fe Submits Plan To Sell Southern Pacific

By Stephen Phillips, New York Times Service

CHICAGO — Santa Fe Southern Pacific Corp. has submitted to the Interstate Commerce Commission a plan to sell all or part of its Southern Pacific railroad company or to spin it off to shareholders.

Under the plan, in which there were no major surprises, Santa Fe could sell Southern Pacific Transportation Co. to another railroad, to a company in another business, or to an employee group. Some analysts expected that the company would be sold as a whole or spun off, rather than sold in pieces.

Officials at Santa Fe, based in Chicago, said Friday that a decision on which course to take had not been made.

Robert D. Krebs, Santa Fe's chief executive, said the company would provide comprehensive financial data on Southern Pacific later this month. "We will evaluate offers as they are received," he added. "By November, we should be in a position to describe the plan in detail to the commission."

The railroad could bring \$700 million, analysts say. Santa Fe has 1,800 miles of track in California, Colorado, Kansas and Texas.

real estate holdings, on which a value has not been placed. Some analysts think the property could add \$300 million to the selling price.

"Dismembering the Southern Pacific is pretty remote," said Andrew R. Peery, an analyst with Morgan Stanley & Co. "There would be a lot of opposition from other rail carriers."

He added that there was a fear that some buyers could outbid others for the choicest parts of the railroad and that this would more unfairly alter competition than an acquisition of the troubled company as a whole.

In June 1986, after more than three years of deliberation, the ICC turned down Santa Fe's proposal to merge its Santa Fe railroad with the Southern Pacific. The commission said the merger would have given Santa Fe an unfair advantage over other railroads in Southern California and the Southwest.

Santa Fe has been approached by several parties. It confirmed Friday that it had held preliminary talks with Denver & Rio Grande Western Railroad Co. and Kansas City Southern Industries.

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Borg-Warner to Sell Shares in Finance Unit

New York Times Service

NEW YORK — Borg-Warner Holdings Corp. has disclosed that it plans to offer 32 million shares, representing roughly 80 percent, of its finance subsidiary to the public for between \$19 and \$22 a share.

The plan, detailed Friday in a Securities and Exchange Commission filing, should help the company pay down some of the debt it incurred to go private last April. The buyout was led by Merrill Lynch Capital Partners after a bidding war against the GAF Corp.

The offering would yield between \$608 million and \$704 million before expenses. The plan also valued the finance subsidiary at \$760 million to \$880 million.

Investors said that company officers had recently identified the finance subsidiary, Borg-Warner Acceptance Corp., as one of several businesses they planned to sell to offset the \$4.4 billion that the buyout group paid for expenses.

"Their interest expense, at an average cost of 10 percent, will be around \$300 million this year," said Mark Steinman, president of Steinman Capital Management. "The company last year only made \$200 million before interest

charges. So there's no way this company on its current operations can service that debt."

Investors said the managers had indicated they hoped to raise another \$2.42 billion: \$200 million from the company's 8 percent stake in an oil drilling concern; \$175 million from miscellaneous businesses; \$50 million in excess pension fund assets; and \$2 billion from the sale of the chemical division.

The company would be left with a \$1 billion automotive parts business, a credit reporting concern worth \$300 million and a protected services business worth \$600 million.

Heileman's Beer Distribution Network Is Said to Be Big Attraction for Bond

New York Times Service

DETROIT — Beer industry analysts speculate that distribution of products may be the main reason behind Alan Bond's \$1.2 billion bid for G. Heileman Brewing Co. Bond Corp. Holdings, led by Mr. Bond, an Australian investor, on Friday offered \$38 a share for Heileman of Wisconsin, the fourth-largest U.S. brewer and the sixth in the world in terms of beer sales.

Paul Shain, an industry analyst with Bain & Company Inc. of Minneapolis, said Bond Corp., which owns Swan Brewery, the second-largest brewer in Australia, might want to use Heileman as a distributor for its own brands.

"He's buying distribution," Mr. Shain said. "Beer is sold through wholesalers, distribution is highly unionized, and it's not easy to break in with a new product. With Heileman, you've got product shelf space."



Alan Bond

beers, largely the Foster's brand, represented only one-hundredth of a percent of the U.S. market. Heileman's stock soared \$8.25, to close at \$42.125 Friday on the New York Stock Exchange, an indication that Wall Street expected a higher bid.

Heileman, a regional brewer whose brands include Old Style, Colt 45 and Henry Weinhard, has about 8 percent of the U.S. beer market, Mr. Steinman said.

The U.S. market is dominated by Anheuser-Busch Co., maker of the top-selling Budweiser, with 38.5 percent of the market. Trailering Anheuser-Busch are Miller Brewing Co., a subsidiary of Philip Morris Inc., with 20.3 percent, and Stroh Brewing Co., with 12 percent.

Heileman, which earned \$48.3 million on sales of \$1.3 billion in 1986, itself has a reputation as an aggressive acquirer of small brands.

EUROBONDS: Unanswered Prayers for the Dollar

(Continued from first finance page)

and subsequently lowered the rate to the recent 5.5 percent.

Lawrence A. Kudlow, chief economist at Bear, Stearns & Co. in New York, agrees that the market remains unconvinced. "Basically, his is a dollar-denier action. To some extent, however, it really isn't served much purpose" as the markets failed to react strongly.

"This will not be the last tightening move by the Fed," he added, predicting a 6.5 to 7 percent discount rate by year-end, along with a federal funds rate of 8 percent, compared with the 6.75 on Friday.

Mr. Kudlow noted that the short-term interest rates would be likely to rise more quickly than longer-term rates. This was a development that dealers were already aware of to notice on Friday, partly because investors in the longer maturities had already translated their inflationary concerns into higher yields and because others had been tamping money into the less-volatile Treasury bills.

But he also noted that the Fed's previous accommodative monetary policy had kept fed funds rates 1 to 1/2 percentage points below the market rate. Thus, he said, while the 30-year bond yield could be one-half to three-quarters of a percentage point, bill yields could be 1 to 2 points.

Among the major worries of bond investors, he said, was the fact that rapid growth in the U.S. economy would increase demands for investment funds and drive up

interest rates. Growth in gross national product in the third and fourth quarters could be double the second quarter's 2.3 percent, he said.

Also, they are worried that industry and the labor market will be unable to absorb higher growth without touching off higher inflation and that the weaker dollar will inflate import prices.

At the end of last week, though, the dollar was the major focus, and it is likely to remain so during discussions among top monetary officials in the next few weeks before the annual meetings of the International Monetary Fund and World Bank.

Authorities in West Germany and Japan have acknowledged broad target ranges for the dollar that emerged from the decision in February by central banks in the leading industrialized countries to stabilize exchange rates. The dollar's target is roughly 1.80 to 2 DM and 140 to 160 yen, although some analysts, like Mr. Kudlow, believe the medians are the practical upper limits. And he believes they could be reached within the next three months.

Mr. Morrison of Goldman Sachs predicts that after allowing the dollar to slip to around 1.77 DM and 139 yen before the IMF meeting, monetary authorities will let it fall by the end of the year to around 1.72 to 1.75 DM and 130 to 135 yen.

Analysts did not see many implications for rate changes in West Germany or Japan as a result of the

Fed action. Both countries are faced with excessive monetary growth partly because of sales of their own currencies to support the dollar, so are resisting any further easing of interest rates. At the same time, a rise in rates would weaken the dollar, thus further undermining their own export-oriented economies.

In this atmosphere, then, some Eurobond managers were puzzled that there was not more demand for the recent issues in European currency units, the currency basket that traditionally has offered investors protection against wild swings in currencies, while also providing a reasonable yield premium on Europe's strongest major currency, the Deutsche mark.

Despite demand from Japan, the two issues launched last week, for Toyota Motor Credit and Bank of Tokyo (Curaçao) Holdings, in unprofitable trading Friday at underwritten levels for underwriters.

"It's a reasonably stable alternative to the Deutsche mark-guilder bloc," said Mr. Kurth of Manufacturers Hanover, and gives investors a 2 percentage-point yield pickup on DM bonds. But, he said, the market has never been sufficiently speculative to develop the liquidity that many investors prize.

In the past three weeks, six issues totaling a relatively small \$58 million ECU have been launched, but prices still fell. "That shows you how limited the demand is for ECU paper," said Karen Greenberg, a syndication manager at Morgan Stanley International.

Yearly Earnings At Sime Darby Increased 38%

Reuters

KUALA LUMPUR, Malaysia — Sime Darby Bhd. the Malaysia-based diversified group, reported after-tax profit of 112.7 million ringgit (\$45 million) for the year to June, up 38 percent from a year earlier.

The group, which has interests in agriculture, manufacturing, property development and insurance, said revenue rose 12 percent to 2,528 million ringgit. It said poor palm oil prices and a depressed automotive industry had resulted in poorer profits in farming and manufacturing. Operations in Hong Kong, the Philippines, Singapore and Australia were profitable, but the Malaysian operation showed losses of 12.3 million ringgit.

"The economic slowdown in Malaysia again affected general trading and consumer demand, but cost reduction measures and improved productivity helped trim losses significantly," the company said.

Fed Discount Rate Rise Hits T-Bills Hardest

By Kenneth N. Gilpin, New York Times Service

NEW YORK — Short-term interest rates rose sharply in the credit-market Friday after the Federal Reserve Board announced its first raise in the discount rate in nearly three years.

The reaction to the Fed's move along longer-term government securities was more muted, although yields expressed general disappointment with the half-point rise, 1/2 percent.

In spite of the recent collapse in bond prices, market participants said they remained bearish. Many bid the increase in the discount rate, a move that had been widely expected, was not dramatic enough to ease selling pressure on the dollar, a major market concern.

For a day at least, the increase in the discount rate served its purpose, as the dollar firmed slightly in the preholiday trading.

"I don't think a half point is going to matter much," said Edward Yardeni, chief economist at Prudential-Bache Securities. "If we had a trade number next week,

the dollar will decline anyway," he added, referring to July's U.S. trade figures.

But some analysts had more confidence in the Fed's approach. One was Henry Kaufman, Salomon Brothers Inc.'s chief economist.

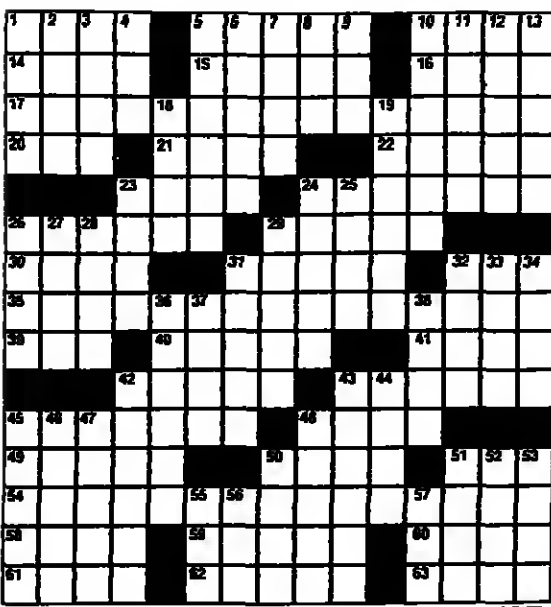
"In response to the increase in the discount rate, the federal funds rate should soon move up to 7.25 percent," he said in his weekly Comments on Credit. The Fed influences the interest rate on these reserves that banks lend each other overnight, and they traded Friday in a range of 6.75 to 7 percent.

"This parallel move in the funds rates, by underscoring the Fed's message, should quell market participants' uncertainty over chairman Alan Greenspan's willingness to head off inflation," Mr. Kaufman said.

U.S. Consumer Rates

Table with columns: Item, Rate. Includes Treasury Bills, Treasury Notes, Treasury Bonds, etc.

INTERNATIONAL CLASSIFIED (Continued From Back Page). Includes sections for ESCORTS & GUIDES, REGENCY NY, LONDON BELGRAVIA, MAYFAIR CLUB, CAPRICE-NEW YORK, ZURICH, and various international classified ads.



ACROSS
1 River in central Europe
5 Surpass
10 Radar signal
14 Prediction from some voices
15 Medicine: Comb. form
16 Depend
17 Airborne canard?
20 Still
21 Is in distress
22 Make amends
23 Quarry
24 Bathhouses
26 Bracers
29 Savage
30 Hot spot
31 Measure of gold's fineness
32 Actress
33 Gardner
35 News conference, in a way
39 Wapiti
40 "The... of Heaven":
41 Being
42 Pennies
43 Semiprecious stones
45 Eternal
46 Ever and
49 Of warships
50 Guardhouse
51 Axlike tool

SPORTS BRIEFS

Piquet Wins, Solidifies Formula One Lead

MONZA, Italy (AP) — Nelson Piquet of Brazil drove his Williams-Honda to victory Sunday in the Italian Grand Prix, scoring an unprecedented fourth triumph to the west and strengthening his lead in the world championship standings.

Hill Takes WBA Title From Stewart on TKO

ATLANTIC CITY, New Jersey (UPI) — Virgil Hill, a silver medalist as a middleweight at the 1984 Olympic Games, stopped Leslie Stewart to win the World Boxing Association light heavyweight championship here Saturday night.

Sindelar Has 8-Shot Budge in B.C. Open Golf

ENDICOTT, New York (AP) — Joey Sindelar 2-under-par 69 increased his lead to eight strokes after Saturday's third round of the B.C. Open golf tournament.

SPORTS McEnroe Is Fined \$17,500 After Outbursts

NEW YORK — Exhibiting his bad-boy image at its worst, eighth-seeded John McEnroe came within one word of defaulting his third-round match Saturday at the U.S. Open tennis tournament. As it was, he handed away the second set because of unsportsmanlike conduct before getting past Slobodan Zivojnovic, 6-4, 5-7, 6-7 (3-7), 6-4, 6-3.



John McEnroe, berating the chair umpire during his match against Slobodan Zivojnovic.

Quotable

San Diego reliever Rich Gossage, on the Padres' revival in the second half of the season: "We're not only still in last place, we're in last place in a very weak division. That's all I need to see. People keep blowing horns about how great we're doing. Come on. Anybody around here who's satisfied should open their eyes."

Solution to Friday's Puzzle

SOMERS PFFV AWL
WRECH ALAI MOO
ABRADE FETCHING
GIRL BETEL ARTE
STY HAMSTERS
MAINE SSE BAT
FALLGUY STROBE
BIKEL SES RANEE
ALEGAR PLEIEVED
HER RUG STASH
SYNAPSED ESS
CASH DRAYS BAKE
HOMEBODY ICEDIN
OME DWES ALDERS
PIE ANIN NEEDLE

DENNIS THE MENACE



"THIS LOOKS LIKE A PERFECT DAY TO GET IN SOME EARLY CHRISTMAS SHOPPING, HUH, MOM?"

JUMBLE

Unscramble these four jumbles, one letter to each square, to form four ordinary words.

RUGAU
GORAC
COYPIL
TROICE

Answer here: QUITE A (Answers tomorrow)

Friday's Jumbles: EIGHT FRAUD BUREAU POLLEN

WEATHER

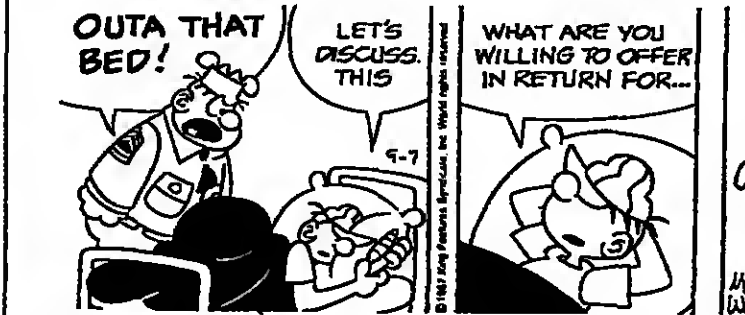
Table with columns for EUROPE, ASIA, AFRICA, LATIN AMERICA, NORTH AMERICA, MIDDLE EAST, and OCEANIA. It lists various cities and their weather conditions.

MONDAY'S FORECAST CHANNEL: PAVER. FRANKFURT: OVERCAST. PARIS: OVERCAST, rain later. TOKYO: Partly cloudy, rain.

PEANUTS



BLONDIE



BEEBLE BAILEY



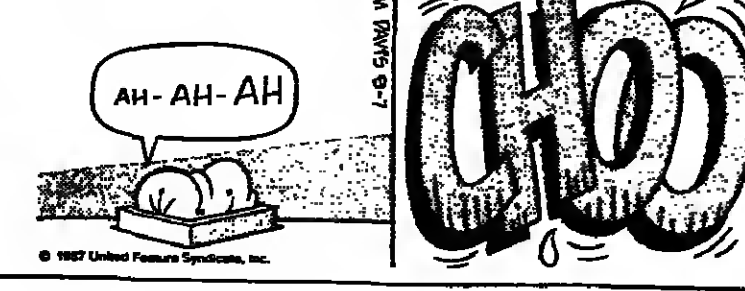
ANDY CAPP



WIZARD of ID



REX MORGAN



WORLD STOCKS IN REVIEW / Via Agence France-Press

Amsterdam The stock exchange was under pressure last week, as the falling dollar and rising interest rates and oil prices all contributed to losses.

Frankfurt The dollar's drop below 1.80 Deutsche marks plunged the Frankfurt stock market into lullaby on Friday.

Hong Kong Bouts of profit-taking failed to halt the dizzying rally of the Hong Kong Stock Exchange, as the bellwether Hang Seng Index finished at a record 3,654.48, up 42.74 on the week.

London Shares and gilts improved last week on the London Stock Exchange, in somewhat subdued trading after the bank holiday Monday.

Milan Milan stocks had another poor week, as dealers felt uncertain about the direction of the new government's economic and fiscal policies.

Paris The Paris Bourse put on a good show last week, in spite of rather unfavorable conditions.

Tokyo After hitting a record high Tuesday, the Tokyo Stock Exchange closed the week sharply down after news that a major chemical concern had had serious losses on trading in government bonds.

Zurich The Zurich stock market reversed course last week, after two weeks on a losing streak.

Singapore Lifeless trading again dominated the week in the Singapore stock market, which recorded its biggest one-day point drop in two years.

Sunday Baseball Ideas for 5 1/2 innings, before an umpire singled to right.

Combined Currency Stock Index Graph A line graph showing the combined currency stock index for London, Zurich, Amsterdam, and Paris from July to August.

Booners, Huskers Win Big

NEW YORK — The big two of the Big Ten Conference, Oklahoma State and Nebraska, posted big wins on Saturday, the first day of the 1987 college football season.

COLLEGE FOOTBALL

Nebraska, accounted for four touchdowns as Oklahoma, routed Texas State, running back Steve Watson scored three touchdowns.

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SPORTS

Lewis Makes 'Sparse Season' More Golden

Compiled by Our Staff From Dispatches
ROME — Carl Lewis, calling it "a sparse season for me" in which "I've had indifferent luck" but "better performances," rallied the U.S. 400-meter relay team to victory Sunday in the World Track and Field Championships...

world record-holder, won the men's high jump; Douglas Wakihara of Kenya won the men's marathon and Fatima Whitbread of Britain won the women's javelin throw with a meet-record of 251 feet, 5 inches (76.64 meters).

Preceding him were Lee McRae, Lee McNeill and Harvey Glance. The Soviet Union finished second in 38.02, a European record, with Jamaica third in 38.41.

In the women's 400 relay, the U.S. team of Alice Brown, Diane Williams, Florence Griffith and Pam Marshall just missed breaking the U.S. record of 41.55, set in Berlin last month, but won in 41.58, the fourth-best ever and a meet record.



Abdi Bile, victor in the 1,500 meters race.

Coach Joe Paterno of Penn State, after victory No. 200.
Paterno, who coached Penn State to a national championship in 1956, led the team to a 200th victory over the University of Michigan on Sept. 6.

gaining 118 yards before leaving the game in the third quarter. Nebraska also tied a conference record by returning two punts for touchdowns.

Washington 31, Stanford 21: In Seattle, Chris Chandler was 18 of 31 passing for 314 yards. His 45-yard touchdown pass to Darryl Franklin in the third quarter broke open the game after Stanford had a four-yard touchdown pass called back on a penalty and a bad snap from center on a 26-yard field goal try ended up with Washington recovering the ball. The Cardinals' standout tailback, Brad Muster, injured his left ankle late in the first quarter and left the game.

LSU 17, Texas A&M 3: In College Station, Texas, Victor Jones scored on two short runs in the first half and the Louisiana State defense allowed Texas A&M to cross mid-field just twice in ending the Aggies' 14-game home winning streak.

UCLA 47, San Diego State 14: In Pasadena, California, the Bruins' Gaston Green rushed for 135 yards and one touchdown. (AP, UPI)

ter Outburst
Sooners, Huskers Win Big
Compiled by Our Staff From Dispatches
NEW YORK — The big two of the Big Eight Conference, Oklahoma and Nebraska, rolled to big victories on Saturday, the first weekend of the 1987 college football season.

U.S. COLLEGE FOOTBALL

second quarter, accounted for four touchdowns as Oklahoma routed North Texas State. Running back Keith Jones scored three touchdowns and quarterback Steve Taylor two as Nebraska thrashed Utah State.

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W / The Agony
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Tudor Hits, Pitches Cards to Victory

The Associated Press
ST. LOUIS — John Tudor held the San Diego Padres to three hits or seven innings Sunday afternoon and twice singled in runs, while Jack Clark hit a two-run homer to help the St. Louis Cardinals win, 6-4.

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SCOREBOARD

Table with columns for Football, Tennis, and Baseball. Includes College Results, U.S. Open Results, and Major League Line Scores.

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